

FINANCIAL TIMES

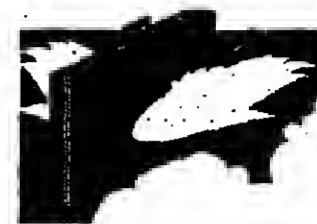
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Cyberinvestment
Help from the Motley Fool



Olympic Games
Athletes take centre stage



Business travel
Latin America's resurgence

World Business Newspaper

MONDAY JULY 22 1996

Basque conciliation to go on despite bomb attacks

The Spanish government said it would maintain conciliatory moves aimed at neutralising Basque terrorism despite bomb attacks on Saturday which injured 86 people, most of them British tourists. Yesterday, 12 people were still in hospital with mostly light injuries. This year's costs of bombings come amid a complex policy to combat terrorism by the new centre-right government. Page 2

Brussels move on Ecu market

The European Commission plans to meet banks and other financial institutions on Thursday to discuss ways of restoring confidence in the Ecu market, after doubts over the legal status of financial instruments denominated in Ecu. Page 18; EU and Pakistan to seek closer political ties. Page 4; Editorial Comment, Page 17

Talibans massacre 300

More than 300 people, mainly women, children and babies, are reported to have been massacred in a Taliban refugee camp at Bungandana in the Gileg region of Burundi. Hutu militias are being blamed.

Lehman keeps nerve and lifts Open title

American Tom Lehman (in white shirt next to Nick Faldo of Britain) kept his cool to win the 125th Open golf championship at Royal Lytham, in north-west England, his first major title. The 37-year-old Minnetonka, who last month lost the US Open on the final hole, hit a final-round 73, to finish with a 13-under-par total of 271, a record for an Open at the course. Lehman, six strokes clear after a course record 64 on Saturday, beat Ernie Els of South Africa and fellow American Mark McCumber by two strokes and Faldo by three strokes.

Fiat deal for GEM: UK engineering group GEM

has signed an exclusive deal to supply parts for Fiat's new Palio world car. The Palio is expected to be built in at least six countries. Page 19

\$1.2bn ventures Midor, an Egyptian-Israeli consortium

which is the largest joint venture between Israel and the Arab world, is to build a \$1.2bn oil refinery in Alexandria, Egypt. Page 3

Toshiba, Japan's second-largest integrated electronics company, plans to seek international alliances or closures

where it cannot compete effectively alone, says its new president, Tatsu Nishimura. Page 21

Eurotunnel's fate will be in the hands of the president of the French commercial court

if the Anglo-French operator of the Channel tunnel does not agree an outline refinancing plan with its banks this month. Page 19

Japan's bosses aim to improve image: Top Japanese executives at an employers' meeting

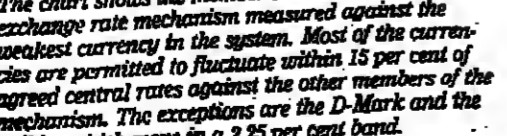
agreed to touch up on the Kaidanren's "charter for good corporate behaviour". This follows a series of scandals in Japanese corporations. Page 4; Talk of soap and dope shakes sumo. Page 10

Metallgesellschaft, German industrial and trading company that nearly collapsed in 1994, backed off from an out-of-court settlement of bitter legal disputes with former chairman Heinz Schimmler. Page 21

UK companies faulted on research: British companies are less aware of publicly-funded scientific research than Japanese and US competitors, says a UK study of the effect of scientific research on economic performance. Page 8

HK groups in China road project: Two of Hong Kong's largest infrastructure groups, Hopewell Holdings and Cheung Kong Infrastructure, are to join forces in a ¥2bn (\$240m) project to build part of a ring road in the southern Chinese city of Guangzhou. Page 4

European Monetary System: The spread between the strongest and weakest currencies in the EMS grid was little changed last week. This was in spite of gyrations between the D-Mark and the dollar caused by a fall in US share prices over speculation about possible interest rate rises. The D-Mark held firm even though there were growing expectations that the Bundesbank might cut its short-term repo rate at its regular council meeting this week. The Irish punt dropped five places within the grid as sterling weakened. Currencies, Page 26



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Table with columns for currency codes and values: Albania LK 220, Germany DM 100, etc.

Smaller nations create ripples in Olympic pool

By Keith Whitley in Atlanta

When the swimmers completed their laps in the Olympic pool yesterday, they walked into the political theatre that is Atlanta. An Irish woman and a Belgian man became national icons, small nations celebrated triumphs over the large, and then there was the issue of drugs.

Dominated in the past by the communist countries of eastern Europe and by the US, the swimming pool suddenly seems, well, a more level playing field. Belgium, the Irish Republic and New Zealand all won swimming gold medals for the first time, and the US, by its high standards, belly-flopped.

Michelle Smith, who won gold in the 400-metre individual medley, has become a match more than a swimmer in Ireland. Mrs Mary Robinson, the Irish president yesterday described her as "a superb role model for all young sports people, and in particular for Irish women".

The turnaround in Smith's career has been extraordinary by any standards, especially at an age when even the most distinguished swimmers stop expecting any increase in performance. In Barcelona, Smith finished 28th in the event and looked unlikely, then aged 22, to go on to glory. However, at those Olympics she met and later married Dutch shot-putting coach Erik de Bruin, who has become Smith's poolside guru. She credits his unconventional methods with her remarkable improvement over the past two years. "It isn't an explosion," Smith replied to a question about her 18-second improvement since 1992.

The problem for Olympic champions is that any remarkable improvement is accompanied by a whisper campaign about drugs - Smith has been tested several times for banned substances and found to be "clean". However, the sudden progress of Chinese women swimmers in recent years, and a spate of positive drug tests, provided evidence for some opposing coaches that unusual training techniques were not the main reason for their success.

Asean balks at non-trade issues in WTO talks

By James Kyrgis in Jakarta

The Association of South East Asian Nations yesterday united to condemn attempts to introduce social and labour issues into World Trade Organisation deliberations.

A joint communiqué approved after a two-day meeting of foreign ministers from the seven Asean nations said the grouping should oppose efforts to discuss issues which were not specifically related to trade - "such as corruption and social clauses" - at a WTO meeting in Singapore in December.

Mediation by Germany leads to first exchange in five years

By Julian Ozanne in Jerusalem, Andrew Fisher in Frankfurt and Sean Evers in Cairo

Lebanon's pro-terrorist Hizbollah guerrilla movement yesterday handed over the bodies of two missing Israeli soldiers in a German-brokered deal to swap them for Arab prisoners and the remains of fighters killed by Israel.

Hizbollah and Israel to swap dead prisoners

Israel will return the bodies of up to 123 guerrillas killed in clashes on the Israel-Lebanon border and will order the South Lebanon Army - the Lebanese militia it arms and supplies - to hand over some 18 bodies and free up to 45 prisoners. Hizbollah will also hand over 17 pro-Israeli SLA fighters.

The deal appeared to be a victory for the German government, which has argued that its policy of dialogue with Iran is more successful than the US policy of isolating that country.

Compaq cuts prices in new challenge to computer rivals

By Christopher Perkes in Los Angeles

Compaq, the world's leading personal computer maker, today presents a fresh challenge to its competitors with the launch of a number of high-powered machines for business users at prices 10-15 per cent lower than its previous range.

It will be the latest shot in a vicious computer price war which has undermined manufacturers' profits and knocked the US stock market. Compaq will today also start deliveries of the new range outside the US. Prices will depend on local market conditions but reductions are expected to be similar to those in North America.

Israeli soldiers load a wooden casket, containing the remains of a Hizbollah guerrilla, on to a truck at the Israel-Lebanon border before its return to the Lebanese. The handover is part of a deal, the first exchange between the two enemies for five years, which will see a number of bodies returned to both sides along with some prisoners.



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Compaq cuts prices in new challenge to computer rivals

harder for them to come back at this time," he claimed. New manufacturing processes had helped cut production costs at Compaq's factories in Houston, Scotland and Singapore by 17 per cent.

Retail prices for the most basic model, which includes a Pentium 100MHz microprocessor, start at \$1,100 in the US. One leading US mail order supplier was last week still offering a 75MHz Compaq Deskpro business computer for \$1,499.

The top of the new range, equipped with Intel's Pentium Pro 200MHz chips, are expected to sell for \$1,500. The introduction, just before the group is expected to release first results for the three months to the end of June, completes a revamp of Compaq's marketing and model range.

Compaq cuts prices in new challenge to computer rivals

It comes a week after Dell, Compaq's closest competitor and the leading direct marketer of PCs in the US, reduced prices on its business computers for the third time this year. Although aggressive pricing has long been a characteristic of the PC market, the pace and range of cuts has been stepped up by manufacturers anxious to boost slowing sales to business customers.

Compaq, which yesterday also announced reductions of up to 28 per cent on its existing business machines, rebooted its failing revenues in the quarter to the end of March by slashing 20 per cent off most prices. However, such tactics have hit margins and earnings across the industry, and a narrow Wall Street was rattled further when Hewlett-Packard recently reported slowing sales.

In the past few weeks Compaq has introduced enhanced models for the consumer, laptop and network server markets which will be managed as distinct market segments. The new Deskpro range completes the process.

Table of Contents: News, Features, Arts, International Bonds, etc.

ASTRA Société Européenne des Satellites S.A. Chateau de Betzdorf, Luxembourg LUF14,000,000 Multi-Currency Term Loan Facility Arranger and Agent Deutsche Bank Luxembourg S.A. Underwriting Lead Managers: Banque de Crédit d'Espagne de l'Etat, Dresdner Bank Luxembourg S.A., etc.

German railways plan \$20bn city centre redevelopments

Putting trains underground in 25 cities will make services faster and free land for homes, shops and offices, writes Charles Batchelor

Railway lines and stations in at least 25 German towns and cities could be placed underground, freeing large areas for redevelopment as housing, office space and parks, as part of DM30bn (\$19.7bn) refurbishment plan drawn up by Deutsche Bahn railway group.

Many of the terminus stations built around the turn of the century would be converted into through stations by building extra underground tracks below city centres, making timetabling simpler and journey times shorter.

This initiative forms part of Deutsche Bahn's Project 21 to modernise its rail network and make its stations more attractive. DB was established as a private company in 1994 - with

the government still as sole shareholder - but it is preparing to list its operating divisions on the stock market over the next few years.

These ideas could be applied to the stations in many large European cities where there are large areas of unused track. Most 19th century railway companies built lines into large termini on the edges of the city centre. Since the companies were competing for passengers, there was no incentive to build direct links between them.

In London, proposals for an underground east-west main line rail link known as Cross-Rail which would take travellers direct from Heathrow to the City and beyond have been

drawn up but shelved because of the cost. Paris has constructed underground suburban links but long-distance trains still run overground into the main termini.

Selling off large areas of inner-city land to developers will help cover the estimated DM30bn cost of refurbishing Deutsche Bahn's 6,400 stations while giving new life to run-down city centres, said Mr Heinz Dürr, DB chairman.

The main station buildings, many of which are protected monuments, would be retained but platforms would be placed underground to minimise the use of space. But unlike city metros the platforms will remain open to natural light coming in through the original glass station roofs.

Mr Dürr estimates that at least 1,600 hectares (3,950 acres) of surplus land could be sold off in 25 cities. New technology and changes in the way freight and passenger locomotives are operated have meant that large areas of marshalling yards and depots have become surplus or could be moved to the edge of town. In Neu-Ulm the 16 existing tracks could be reduced to just four.

In Stuttgart, where plans are furthest advanced, more than 100 hectares of land in the city centre could be freed by placing railway tracks in tunnels. DB estimates that it could earn DM2.2bn from the sale of the land to the local authority and meet a large part of the DM4.9bn investment costs. The remaining costs would be met

by federal and state government subsidy. If the proposed timetable is met the new station and tracks could be in operation in 2008.

In Frankfurt-am-Main 138 hectares of land would be freed by putting freight and passenger tracks underground while the main terminus would be linked under the city centre with a smaller station on the east side of the city.

Through running would cut out delays caused by the large loops the trains now make around the city to reach the main terminus.

Other city centre stations suitable for the Project 21 plan include Munich and Saarbrücken.

DB has already taken steps to develop the commercial potential of its stations jointly with private developers. At Hamburg-Altona, the station was rebuilt to incorporate a large Kauffhof store with finance from the company.

Leipzig station is currently undergoing a DM600m reconstruction to increase retailing space. This is being financed jointly by shopping centre developer, Einkaufs-Center-Entwicklungsgesellschaft, which is providing two thirds of the funding.

Small investors can buy bonds in a rail property fund set to help finance the work at Leipzig.

Right: an artist's impression of the new Frankfurt station



Erbakan pledge to Turkish Cypriots

By John Barham in Ankara

Mr Necmettin Erbakan, Turkey's Islamist prime minister, reaffirmed Ankara's commitment to northern Cyprus during a weekend trip to mark the anniversary of the Turkish invasion which led to partitioning of the island in 1974. His visit coincides with renewed international efforts to end the division of Cyprus.

Mr Erbakan told a cheering crowd: "We are determined now as we were in 1974 to support the rights and freedoms of our brethren in Cyprus. I am here to show you that we stand with you."

Last week Ms Madeleine Albright, Washington's UN ambassador, said during a visit to Cyprus that commanders from both sides would soon discuss measures to reduce tension on the island, one of the world's most heavily militarised places.

The US, which declared 1996 to be "the year of the big push on Cyprus", is investing considerable time and effort to find a settlement, hoping this would ease enmity between Turkey and Greece and forge regional stability.

While Turkish northern Cyprus held military parades, in the southern half church bells tolled and flags flew at half mast. Mr Glafcos Clerides, the Greek Cypriot prime minister, called on Turkish Cypriots and Turkey to begin talks. He said: "[We] are ready to negotiate with courage, if the Turkish side is ready for a logical and viable compromise."

Mr Ram Doulkeris, the Turkish community's veteran leader, said: "I say to the Greeks once more. Come, let us make Cyprus a bridge of peace between Turkey and Greece."

Although both communities agree to a UN plan for a federation with a weak central government in which both groups would retain considerable autonomy, negotiators have not overcome deep distrust between the two sides.

Mr Erbakan, who was deputy prime minister during the 1974 invasion, scarcely mentioned reconciliation. He said: "All we want in Cyprus is the recognition of the fact that there are two different communities, two different democratic entities, two states. We want them to live together in peace."

Northern Cyprus declared itself a separate republic in 1983, but is recognised only by Ankara, which provides 30,000 troops and economic aid to overcome an international trade embargo. The European Union is hoping the prospect of EU membership will help achieve a settlement.



Jordi Pujol, left, Catalan leader, looks at a pool of blood in Barcelona airport

Basque conciliation to go on despite Costa bombings

By Tom Burrs in Madrid and agencies

The Spanish government said yesterday it would maintain its current policy aimed at defusing Basque terrorism - including conciliatory gestures towards prisoners - despite a series of bomb attacks which left 35 people injured, most of them British tourists.

In the most serious incident a bomb, left in a rubbish bin, exploded on Saturday in a packed departure lounge of Reus airport, south of Barcelona, as the area was being cleared minutes after a bomb warning by Eta, the Basque terrorist organisation. Yesterday 12 people were still in hospital with mostly light injuries.

Shortly afterwards there were two similar blasts in the resort towns of Salou and Cambrils, which are served by Reus airport, but no one was hurt.

In separate incidents yesterday, police defused another

bomb at a Salou hotel, from which Dutch tourists were evacuated, and eight grenades exploded near a barracks of the paramilitary Civil Guard in the Basque town of Orduña.

The bombings are similar to Eta campaigns in recent years along the Spanish coast at the height of the holiday season. This month six small blasts have caused damage but no deaths in resorts further south on the Costa del Sol.

This year's Costa bombings come amid a policy of conciliation towards convicted Eta members and working closely with the moderate Basque Nationalist party, which runs the autonomous Basque government and backs the Popular party in the Madrid parliament.

One of the Madrid govern-

ment's key initiatives has been to move, on the advice of the Basque Nationalist party, some of the 500-odd jailed Eta members to prisons closer to the Basque Country. This reverses the dispersal policy of the previous Socialist government.

It is believed that the new interior minister, Mr Jaime Mayor Oreja, who is a Basque and a senior figure in the Popular party, has a secret agenda of further initiatives agreed with the Basque Nationalist party. Yesterday, after visiting the injured in the Reus airport blast, Mr Mayor Oreja said Eta violence would not change his anti-terrorism timetable, including the prisons policy.

He said there could be no miracle breakthroughs to end Eta terrorism. In a reference to his talks with the Basque Nationalists, Mr Mayor Oreja said the government would maintain a firm policy that was "understood and agreed by all".

Nato and its one-time foes play peace games in the sun

By Kester Eddy in Szolnok, Hungary and Bruce Clark

The brass band played, the top brass spoke, the (Soviet-designed) top-guns flew past, and 1,000 air crew from 17 participating nations shimmered in the sun at Hungary's Szolnok airbase.

Co-operative Chance - the latest in Nato's joint exercises in its Partnership for Peace (PfP) programme with former Warsaw Pact adversaries and the first joint air exercise hosted by a PfP nation - began on Saturday with good weather and seeming goodwill all round.

After the speeches came the real work. In the full air crew briefing, Czechs, Poles and others strained to concentrate on British, American and Dutch versions of the command language, English. The US commander admits Nato doesn't know it all. "We will make mistakes. It's your job to tell us when we do. We need your help," he asked of his comrades in arms.

In its scale and its strong emphasis on air power, the exercise is a landmark in the two-year history of the partnership programme, intended to

groom some countries for full Nato membership and to maintain cordial military relations with such countries as Russia and Ukraine which are not expected to join Nato in the near future.

For a week flyers and their commanders, along with Red Cross and civil defence groups, will combine to carry out a co-ordinated humanitarian aid exercise and train staff within a multi-national air command HQ. An earthquake has struck

private deliberations over what role, if any, their forces should play in Bosnia next year.

By hosting the exercise, Hungary is underlining the crucial role it has already played, and may again play in 1997, as a stepping stone for Nato troops moving in and out of Bosnia.

"We've been waiting for years to do precisely these humanitarian missions multi-nationally," said General Dieter Stockman, commander of Allied Air Forces Central Europe.

PfP was set up to concentrate on boosting the capacity of ex-communist countries to take part in peacekeeping operations. But this mandate has been steadily broadened to include western military assistance for the upgrading of a range of military installations and communication systems, as well as defence planning and budgeting.

US military planners face a dilemma in Bosnia because of the widespread consensus that some military presence will be required in 1997, despite President Bill Clinton's promise that the US mission will be terminated in December.

One theory among military experts holds that some US troops will be withdrawn only as far as the temporary base they have established in Hungary, signalling that they could be sent back to Bosnia if necessary. Hungarian officials are counting on the fact that western gratitude for the use of its territory will make it virtually impossible for Nato to step back from its plans to enlarge.

If Hungarian, Polish and Czech officials get their way, Nato will not later than spring 1997 announce a firm timetable for their countries to join the alliance.

However, the basic problem of European security planners - how to enlarge Nato without irreversibly alienating Russia - looks far from resolved.

Mr Evgeny Primakov, the Russian foreign minister, has hinted that Nato enlargement could be acceptable - or at least, less unacceptable - if the alliance refrains from extending its military structure to the soil of non-members.

Nato officials say privately that while there is no question of formal guarantees to Russia, the concerns of Mr Primakov should be relatively easy to address.

Czech kingmaker must decide whether to crown old rival

By Vincent Boland in Prague

Mr Miloš Zeman, head of the opposition Czech Social Democrats (CSSD) and newly installed chairman of parliament, this week faces his biggest test since coming within a hair's breadth of pulling off an upset in last month's general election.

He must decide whether the CSSD will support the new minority government of Prime Minister Václav Klaus in a confidence vote tomorrow. To do so would upset those supporters who gave him their protest votes. But to oppose the government would damage his image as a credible parliamentarian, on which he has been working overtime since the election. To abstain would simply be a cop-out.

Nobody has enjoyed the little bout of instability the country has endured since the election as much as Mr Zeman. It has given him the key political role he craved. While Mr Klaus, his old enemy, floundered in the immediate aftermath of the loss of his coalition's governing majority, the CSSD leader became the kingmaker, in that

the government needs his party's support to survive.

A tall, ponderous 51-year-old, Mr Zeman led the 103-year-old CSSD, which he has headed since February 1993, back to the centre of Czech politics in the election. Its vote soared to 26.4 per cent from 6.5 per cent in 1992, while support for the Civic Democratic party (ODS) led by Mr Klaus was 26.6 per cent, almost unchanged from four years ago.

He was also elected to the Czech parliament for the first time, having been a federal MP until the demise of Czechoslovakia in 1992. In northern Moravia, where both he and Mr Klaus stood for parliament, he led the CSSD to become the largest party in the region.

Though a parliamentary novice, Mr Zeman is a political veteran. Born in 1944, he joined Dubček's Communist party at the height of the Prague Spring in 1968 and was expelled with other reformers after the Soviet-led invasion. He languished in odd jobs for nearly two decades, cementing his anti-communist credentials.

Mr Zeman and Mr Klaus have never made any secret of



Zeman: enormous ego

their mutual dislike, which dates from their days at the Forecasting Institute. The two men have enormous egos, and both vied for intellectual supremacy at this officially tolerated think-tank in the late 1980s, planning scenarios for a post-communist world.

Since electoral deadlock emerged both men have indulged in ever greater measures of brinkmanship as each tested the respective powers of his opponent. The result so far has been a draw. Tomorrow's

parliamentary debate on the government's policy programme, to be followed by the confidence vote, is meant to get a definitive result, but a last-minute deal will have to be cooked up for that to happen.

In theory this could not be too difficult. The ideological divide between the coalition and the CSSD is not especially wide. On two key issues - university tuition fees and health service reforms - a compromise is possible. A third - the return of confiscated property to the Roman Catholic Church - may be more divisive. The Christian Democrats, a coalition ally of the ODS, are unlikely to back down on their insistence that this measure be pushed through, though many anti-clerical Czechs oppose it.

President Václav Havel asked the politicians on Friday to rally around for the good of the country. Mr Zeman says it would "not be a tragedy" if the government failed to win the confidence of parliament, suggesting he wants Mr Klaus to cook up the fudge that will be necessary to prevent a show-down on tomorrow.

Berlusconi stitch-up smooths constitutional deal

The former Italian premier has been forced to make political concessions to protect his threatened TV empire

The setting up of a special parliamentary commission to overhaul Italy's 1948 constitution - the first major deal struck between government and opposition in the new legislature - offers a foretaste of how relations are likely to develop between the ruling centre-right Olive Tree coalition and the opposition led by former premier Silvio Berlusconi.

Initial analysis of the agreement, hammered out last week, suggests Mr Berlusconi has been obliged to co-operate with the government on constitutional reform in order to protect his own media interests.

The deal coincided with the cabinet's approval of the establishment of a new regulatory authority to cover telecoms and the media alongside new anti-trust rules on the share of the television market. These directly affect Mr Berlusconi's recently floated Mediaset group, of which he now controls 51.5 per cent.

In return for being obliged to reduce Mediaset's share of the ter-

restrial audience and advertising market, he has been able to keep three channels in a liberal interpretation of a constitutional court decision and will be allowed to enter the telecommunications business. Originally it was thought that he would have to divest one channel. The proposed law allows one channel to be converted into either a cable or satellite one.

The link between co-operation over constitutional reform and the new arrangements on television/telecoms has produced unease both within government ranks and among Mr Berlusconi's allies. Inside the government coalition, there has been concern that too much had been settled in private negotiations between Mr Berlusconi and Mr Massimo D'Alema, leader of the Party of the Democratic Left (PDS), the dominant partner in the Olive Tree. Even during the election campaign Mr D'Alema made it clear Mr Berlusconi's TV interests should not be victimised.

Mr D'Alema's stance has irritated several former Christian Democrats in the alliance as well as Mr Romano Prodi, the prime minister. They felt too many concessions had been made to Mr Berlusconi to resolve his self-created problem of conflict of interest. As a result, at the last minute the television/telecoms legislation endorsed by the cabinet

been criticised by those in his alliance who believe their role as opposition in the new parliament has been compromised. In his desire to sort out the problems of his TV empire, they say he was forced into the embrace of Mr D'Alema. This led him to drop the right's constitutional reform platform of introducing a presidential system

like that of France and of having a complete first-past-the-post electoral system like the UK.

Beyond this, Mr Berlusconi's critics fear that, during the next year when the constitutional reform commission carries out its review, it will be hard for the opposition not to be locked into co-operating with the

government on a broader set of issues. They say it seems nonsensical to voters to be seen co-operating with the government on the constitution but then being obstructive on other key issues such as economic policy.

Such tensions, even before the bi-cameral commission has been formed, suggest the path towards a successful shake-up of the constitution - no matter that every party admits the need for change - will be strewn with minefields. To overcome such obstacles, some politicians in both government and opposition are talking of having a broader based administration. This would include elements of the current opposition, and thus ensure the constitutional commission produces consensus proposals to modernise the Italian state and introduce a more federal system of government.

The chief loser in such a scenario would be Mr Prodi, the Bologna economics professor and former

head of Iri, the state holding company, who was recruited last year to lead the Olive Tree alliance. He would almost certainly be pushed aside. Mr Antonio Maccanico, his posts minister, who unsuccessfully tried to form such a broad-based government to carry out constitutional reform in February, said as much in a brutally frank interview last week.

For the moment Mr Prodi is still likely to be given the benefit of the doubt by his coalition partners and in particular by Mr D'Alema, who is the effective back-seat driver of the government.

Ousting the premier so soon after the April elections would be difficult to sell to the public. But Mr Prodi has not helped himself by a lacklustre performance as leader during his first two months in office, while his authority continues to be undermined by Mr D'Alema's overt mistrust of him.

Robert Graham

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July 25 1996

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The Financial Times
IMF/World Eco

Egypt-Israel group in refinery deal

By Sean Evers in Cairo

An Egyptian-Israeli consortium, Midor, yesterday signed a \$1.2bn oil refinery in Alexandria, Egypt. Midor, which groups Israel's Merhav Group, the Hussein K. Salem Group of Egypt and the Egyptian General Petroleum Corp (EGPC), is the largest joint venture between Israel and the Arab world.

The engineering procurement and construction contract worth \$1bn was awarded to a European consortium led by Technipetrol of Italy and Technip of France.

A ground-breaking ceremony is expected in October. The final steps in project development, including financing as well as selection of other construction groups, are expected to be concluded shortly, with the project fully operational by late 1998. The main licensor for the refinery, which will include a hydrocracker, is the US company UOP, supplemented by Conoco-Bechtel.

Senior officials from Technipetrol said the refinery would be one of the first in the region to meet European environmental standards in both process and products.

The project is Egypt's largest private venture and the first private sector refinery. The equity capital represents only 20 per cent of the total cost of the project.

National Westminster Bank of the UK and Bank Nationale de Paris are working as the co-lead managers for the estimated \$600m export credit component of the financing. The export credit cover has been pledged by several European agencies, including Spain's CESCE. France's

Coface, the UK's Export Credit Guarantee Department, Germany's Hermes and Italy's SACE.

The European Investment Bank has approved an \$822m (\$87m) loan for the construction of the export-oriented oil refinery in the free zone area near the port of Alexandria.

The scheme, the largest to be financed by the EIB in the Middle East, will draw on Egyptian oil resources to supply 5m tons per annum of advanced refined products including lead-free petrol and low-sulphur gas.

Israel and Egypt will each get a third of production while the rest will be sold to adjacent markets, such as Turkey, southern Italy, Greece, Cyprus and the Palestinians.

Saudi Arabia has awarded the building of a \$1.165bn (\$1.108bn) power plant to Japan's Mitsubishi Heavy Industries following months of talks with international companies, Reuters reports from Manama.

The Saudi Consolidated Electric Company-East (Sococo-East) awarded the bidding to Mitsubishi Heavy Industries Consortium to build and install the 2,400MW Ghazlan power plant.

In March Saudi Arabia said the Sococo-East project was part of a master plan to raise power generation in the oil-rich kingdom to 60,000MW over 25 years from a current 17,700MW capacity.

Saudi Arabia is hungry for added electricity capacity and needs new plants. The Sococo-East project was revived last year when Riyadh's financial standing improved with rising oil prices and higher revenues due to a rise in domestic electricity rates.



Mr Zeronal rejected participation by Islamic Salvation Front

Algeria to hold new round of talks

By Fouad Khayat

Algerian President Liamine Zeronal and political parties will hold a further round of talks on Thursday after failing to reach agreement on a common strategy towards ending four years of bloody struggle and to prepare for new legislative elections.

In talks which ended at the weekend, Mr Zeronal rejected a suggestion by two opposition parties to include leaders of the Islamic Salvation Front (FIS) in the dialogue. FIS militants have been battling the government since 1992, when their party was stripped of an electoral victory.

Mr Sliman Chenine, a spokesman for the Hamas Islamist party, said yesterday that Mr Zeronal told Hamas representatives the question of the FIS was no longer open for discussion.

The most difficult point in the talks was Mr Zeronal's proposals to amend the Algerian constitution before legislative elections due in the first half of 1997. The president is seeking revisions to bolster the presidency's powers, create a second chamber of parliament which includes non-elected officials, and prevent parties from using Islam to further their political ends.

Main opposition parties, who suspect the president of seeking to monopolise the political field, believe a new constitution should be drafted by the elected assembly after the poll. Mr Chenine said Hamas proposed that instead of amending the constitution this year, parties fielding candidates in legislative elections be asked to adhere to a set of principles such as promising not to exploit religion in campaigning.

Because views diverge on the constitutional amendments, Mr Zeronal invited the parties for bilateral talks on the constitution to start later this month. A spokesman for the Berber-based Socialist Forces Front, a strong critic of Mr Zeronal's approach, said yesterday that although Mr Zeronal showed little willingness to compromise on this point, the FFS would take part in the bilateral talks.

Some progress was made on other revisions sought by Mr Zeronal. Three commissions are to be set up including representatives from various parties to discuss Mr Zeronal's proposed changes to the electoral law to introduce proportional rule, to the law governing parties, and to prepare for a national conference later this year.

The talks ended amid reports of a resurgence in violence. Several bombs exploded around Algeria last week.

Corn group may face more claims

By Laurie Morse in Chicago

Rain drenched the fields of Illinois last week, putting an end to fears of drought and ruined corn crops, but doing little to ease the troubles of one of the state's most famous corporate sons, Archer-Daniels-Midland, the country's biggest corn processor.

On Friday, a federal judge in Chicago approved a civil anti-trust settlement in which ADM and two of its Japanese rivals, Ajinomoto and Kyowa Hakko Kogyo, agreed to pay \$45m to customers of their animal feed ingredient businesses.

The civil suits were brought after the US government conducted a two-year undercover investigation into ADM's role in international feed ingredient markets and in particular, the market for lysine, an amino acid widely used as a livestock

feed supplement by poultry and pork producers.

The government has not yet brought criminal charges against any of the companies, but the civil settlement is evidence the price-fixing probe is having a profound effect on the small group of global companies producing lysine.

Heartland Lysine, a US division of Ajinomoto, and the US subsidiary of Kyowa Hakko have each agreed to pay \$10m of the settlement, and ADM will contribute \$25m. While agreeing to the payments, none of the companies admitted to any wrongdoing.

The civil settlement is only the first case of, perhaps, many facing ADM. More than a dozen of ADM's customers participated in the class action, but several other big clients opted out of the deal, leaving open the possibility of

further suits and settlements. ADM officials fear that criminal actions will be brought against two prominent executives in coming weeks, though the company, its attorneys and federal prosecutors are not commenting on what has been a colourful investigation.

The investigation has shaken ADM, known for its political influence and connections in Washington

With a large stock of video tapes recorded by an ADM executive who turned FBI mole and whistleblower, Mr Mark

Whitacre, the government been sifting through evidence. The tapes are believed to show executives of ADM and rival companies discussing the global market for lysine - the question is whether investigators have enough evidence to take a case of alleged market manipulation to court.

For more than a year, prosecutors have been distracted by the accusations and counter-accusations involving Mr Whitacre, who has separately been investigated by the FBI for alleged fraud. He denies the allegations.

Another difficulty for US investigators is that the case stretches far beyond the boundaries of the US. To prove collusion, the police have to gather evidence that, among others, South Korean and Japanese competitors were parties to an international agreement.

The investigation has shaken ADM, well known in the US for its political influence and its connections in Washington. Allegations have focused on the roles of two executives: Mr Michael Andreas, the executive vice president and the son of company chairman, Mr Dwayne Andreas; and Mr Terrance Wilson, head of ADM's corn processing unit.

The unresolved investigation has cast a shadow over the future of Michael Andreas, presumed to be the natural successor as chief executive to his 78-year-old father.

Public debate about the case has already forced extensive reforms of ADM's board, which had been dominated by Dwayne Andreas for 30 years. In the past year, the company has promised to expand the board and limit participation by company employees.

Paris Club restructures Peru's debt

By Sally Bowen in Lima

After three days of tough bargaining in Paris, Peru has succeeded in restructuring a portion of the \$9.25bn owed to its official creditors. Paris Club debt represents some 28 per cent of Peru's total foreign debt.

Speaking in a Lima at the weekend, President Alberto Fujimori described Peru's treatment "exceptional", noting that it was the only country apart from Russia to have reached such a favourable restructuring arrangement with the Paris Club.

Rescheduling will be over 20 years with substantial relief for the next three, Mr Fujimori said. Payments this year will total around \$450m, rising to

\$600m in 1998. Without relief, Paris Club servicing would have been double this.

Of Peru's total debt with its bilateral creditors almost \$7bn was contracted before 1983, the year in which Peru ceased servicing most of its external debt.

Pre-cut-off debt is the only part of the total susceptible to restructuring.

Payments to the Paris Club are expected to rise to \$1bn by the end of the decade. Despite the relief obtained, this - added to payments under the soon-to-be-closed Brady deal - will still impose a heavy burden on Peru. Last year's export earnings, even with exceptionally buoyant minerals and commodities prices, were only \$5.5bn.

Peru will now seek to negotiate separately, and as soon as possible, with each of the Paris Club members, President Fujimori said. In addition to bilateral forgiveness, Peru will press to swap some debt for nature or social programmes.

The agreement came after three days of talks in Paris between Peru's negotiating team and officials from Austria, Belgium, Canada, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Britain and the US.

The Paris Club issued a statement outlining its decision "to grant Peru an ambitious treatment of its external official debt tailored to the prospects of its economic growth".



President Fujimori called Peru's treatment 'exceptional'

The statement, which did not give financial details, said the agreement was "a very significant contribution to Peru's

present and future external financial situation".

Economists and political analysts in Peru hailed the accord as another feather in Mr Fujimori's cap and a major step towards the nation's reintegration into world financial circles. Lima was considered a pariah by lending institutions when former President Alan Garcia effectively suspended all debt payments in the mid-1980s.

The Paris Club deal should also permit the de-blocking of some \$500m in credits already granted by Japan. These could not be released until agreement was reached in Paris. Still pending on Peru's foreign debt agenda is renegotiation with creditor countries of the former Soviet Union.

Cairo SE sees jump in foreign investments

By Sean Evers in Cairo

Foreign investors have more than tripled their share on the Egyptian stock exchange in the first half of 1996 as international interest in the market has risen.

International investors accounted for 20 per cent of the E£3.8bn (\$970m) of stock traded on the Cairo Bourse in the first six months of the year, compared with just 6 per cent of the E£3.8bn traded in the whole of last year. The majority of the foreign investors have come from the US, Britain, Singapore and the Gulf Arab states.

Mr Ashraf Shams el-Din, deputy chairman of Egypt's capital markets authority (CMA), explained: "The flurry of sales of state companies and the Egyptian government's renewed commitment to economic reforms was drawing the international investors."

Since Mr Kamal Ganzouri, prime minister, and his more reform minded cabinet were

appointed in January, the pace and profile of the privatisation programme has been stepped up.

But the Egyptian business association continues to criticise the mainly partial sell-off, claiming "privatisation is not selling 10 or 20 per cent it is a change in management".

However, the Egyptian state is moving up another gear, following the ground-breaking offerings of majority stakes in less well known companies including Medinet Nasr Housing and Construction, and a fertiliser company, Egyptian Financial and Industrial.

The state sold off 65 per cent of EGI to private investors in May. The company is one of the most active on the Cairo bourse and it announced a 29 per cent increase in sales last week.

A recent international economic study by Baring East management reveals that the Egyptian stock market is the most attractive Arab market for investors.

“People say that we live in the past. Well yes, we have been providing for the future by managing investments for 200 years.”

Many things have been said about us. No doubt we asked for it. We've been doing the same job for 200 years: managing investments. And this longstanding experience has always been our pledge for the future. Can this reasonably be held against us?



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The Financial Times plans to publish a Survey on

IMF/World Bank: World Economy & Finance

on Friday, September 27.

- To coincide with the IMF/World Bank meetings in Washington in 1996
- Special distribution to 6000 delegates at the meeting
- New emerging markets section.

The FT is judged as the world's most important financial publication worldwide. Source: ING Bank Survey 95.

For further information please contact Hannah Pursall in London on +44 171 873 4167 or Fax +44 171 873 4296 or Tim Hart in the USA on +1 212 752 4500, Liz Vaughan in Hong Kong on +852 2868 2863.

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HK groups join in China road project

By John Riddling in Hong Kong

Two of Hong Kong's largest infrastructure groups, Hopewell Holdings and the newly listed Cheung Kong Infrastructure, are to join forces in a \$2.2bn (\$240m) project to build part of a ring road in the southern Chinese city of Guangzhou.

The agreement clears the way for work to restart on the project, which was stalled last year because of a disagreement between Hopewell and Guangzhou authorities over the cost of the project and the construction of commercial sites along the road.

Under the terms of the accord, Cheung Kong Infrastructure, which is part of Mr Li Ka-shing's business empire, will jointly invest Yn1.9bn with Hopewell to build the east-south section of the city ring road.

This section is due for completion in 1998.

Guangzhou Freeway, the city roads company, is to contribute the remaining Yn100m of the cost of the project.

It will also guarantee Cheung Kong Infrastructure and Hopewell a minimum return of 20 per cent and take responsibility for cost overruns.

The accord brightens the prospect for the completion of the Guangzhou southern ring-road, which was agreed in 1992 between the city authorities

and Hopewell Holdings and which involves a total cost of almost Yn10bn.

The latest deal is expected to be followed by an agreement on terms for Hopewell and Cheung Kong Infrastructure to build the south-west section of the road.

Industry analysts in Hong Kong said the agreement was positive for Hopewell, since it would reduce the financing costs and provide an influential partner.

The agreement is the second time that Mr Gordon Wu, Hopewell's chairman, has secured a significant outside investor for one of the group's mainland road projects.

Last year he sold a 2.5 per cent stake in the Guangzhou-Shenzhen superhighway to Kanematsu of Japan.

The 123km Shenzhen-Guangzhou expressway linking Hong Kong to the capital of Guangdong province has proved a disappointment both to China and to Hopewell Holdings. Among the problems were cost-overruns, delays in construction, difficulty in securing local construction permits, and a shortfall of toll revenues after the road opened.

One of the problems was that the project was negotiated at local level and the project assumed that Hopewell would be able to develop property along the route, which added to its costs.

Japan's executives seek to improve image

By William Dawkins in Tokyo

Corporate Japan's top executives yesterday decided it was time to extend the technique of continuous self-improvement from the factory floor to the morals of management.

The annual seminar of the powerful Keidanren economics federation in Oyama, a resort at the foot of Mount Fuji, ended two days of soul-searching with an agreement to toughen up its "charter for good corporate behaviour".

It was the first official Keidanren recognition that the recent series of mishaps at Japanese companies had created an image problem.

It was also Japan's first collective attempt to show contrition for a year in which some of its most prestigious corporate names have been mired in impropriety.

Mr Shoh Nasu, chairman of Tokyo Electric Power, the world's largest electricity generator, said the review of the code must be carried out "as soon as possible". Mr Yoshio Okawara, a senior Keidanren adviser, admitted: "There is a need for action to cope with the sense of mistrust."

Blows to Japan's corporate image over the past year include the \$1.8bn loss at unauthorised copper dealing at Sumitomo Corporation, formerly seen as the most conservatively managed general trading company; the revelation

that managers of Takashimaya, a prestigious department store, had been paying hush-money to gangsters; a US sex discrimination and harassment case against Mitsubishi; and the Mount Fuji seminar to make the new code easier to implement, when one participant suggested that wrongdoers should actually be penalised by the Keidanren. But the idea was quickly flattened by the mighty NEC, the leading semiconductor and computer producer.

"What would be the standard for deciding on such a punishment? That would be very difficult as a practical matter," said Mr Tadahiro Sekizawa, NEC's chairman.

Still, every little helps. After all, self-improvement on the Japanese shop floor has always taken place in a series of small incremental steps. Talk of soap and dope shakes sumo, Page 10

ment did not know what was going on and internal communications were "lacking".

However, as so often in Japanese corporate life, there was more ritual than real reform.

Two days' soul-searching ended with an accord to toughen the Keidanren's 'charter for good corporate behaviour'

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Vietnam diaspora ponders links with home

Jeremy Grant on the problems of returnees being used by foreign investors as a bridge between western and Vietnamese culture

In Vietnam, eight is supposed to be a lucky number. But Hong Kong-listed Peregrine Investment Holdings may be starting to wonder about the luck of choosing a colonial villa at 8 Alexandre de Rhodes street in Ho Chi Minh City as the headquarters of its Vietnamese arm.

Having grown accustomed to a reputation as one of the best connected foreign players in Vietnam, Peregrine's Capital Vietnam played host to city officials in May searching for documents in an investigation into allegations of tax evasion and abuse of its representative office licence.

On Saturday, prosecutors announced that they would press charges against the PCV's managing director, Mr Nguyen Trung Truc, one of the country's most prominent for-

ign businessmen. The charge relates to the importation of about 80 cars, though prosecutors indicated that they were also investigating other operations at Peregrine.

Officials alleged that the company had abused its representative office licence, which forbids foreign companies from booking business in Vietnam. Prosecutors said they were investigating PCV and its links with 13 local trading companies allegedly set up by Mr Truc.

Mr Truc declined to comment when contacted yesterday, but Peregrine has denied that the company has broken any law in Vietnam. The company says its activities are

legal under an "investment advisory licence", granted in April 1995, which enables it to engage in a broader range of businesses than other representative offices.

Earlier this month, Euro-money magazine chose PCV as the "best foreign securities firm" in Vietnam. "Peregrine's opportunistic approach has earned it many fans in Vietnam," it said, adding that Mr Truc's "extensive web of local contacts" had enabled him to "avoid government interference".

For Mr Truc, an emigre Vietnamese businessman with a degree from an Australian university and a collection of 15 vintage cars, the investigation

follows a colourful career in Vietnam that started with his return in 1988 as head of PCV. That company is 60 per cent owned by Peregrine Investment Holdings, with the rest held by him, his Malaysian-Chinese wife and a Singaporean businessman.

The case raises questions about the role of overseas Vietnamese in the country's economic reforms. Thousands of overseas Vietnamese, known locally as Viet Kieu, have returned to Communist-ruled Vietnam since it started encouraging foreign investment about five years ago.

Most of them run small, service-related businesses, often using family members who

stayed behind after the end of the Vietnam war, which ended in 1975. Under Vietnamese law, Viet Kieu are supposed to get more liberal treatment than foreign investors.

The overseas Vietnamese have been natural target for foreign companies wanting to establish offices in the country, as they speak the language and are seen as a bridge between western and Vietnamese business culture.

However, some business people complain that the welcoming rhetoric from Hanoi can evaporate when overseas Vietnamese try to start doing business in the country many of them fled for political reasons 20 years ago.

It's true that there are certain difficulties for them. It's not because of policy. It's because of bureaucracy," said Mr Nguyen Ngoc Ha, president of the Ho Chi Minh City committee for overseas Vietnamese, which handles emigre affairs.

Nor has the local press helped. Mr Truc and PCV have been the butt of a vigorous campaign in local newspapers, which have sometimes chronicled alleged wrongdoings in microscopic detail. None had contacted Mr Truc or Peregrine for comment, a Peregrine official said.

The investigation into Mr Truc and his wife would take up to four months, the prosecutor's office said, and they would not be allowed to leave Ho Chi Minh City without permission.

South-east Asia takes stock of oversupply

Rising petrochemicals capacity could lead to battle for markets which could test free trade commitment

Asia's booming economies have been a haven for petrochemical companies seeking growth away from their saturated traditional markets. But a recent surge in investment heralds an era of significant overcapacity and fierce price competition.

Nowhere are the symptoms more pronounced than in south-east Asia, where rapid economic growth and low rates of plastic consumption per capita have proved an irresistible lure for investors. But observers are now warning that unless several planned projects are scrapped, there may be a battle for market share which could severely test the commitment of south-east Asian nations to free trade.

"I am afraid competition will be so fierce that countries will say: to hell with free trade agreements," said a senior executive in a petrochemicals company, itself planning a big capacity expansion.

"Even if the countries can manage to lower tariffs, I am sure there will be more subtle non-tariff barriers," he added.

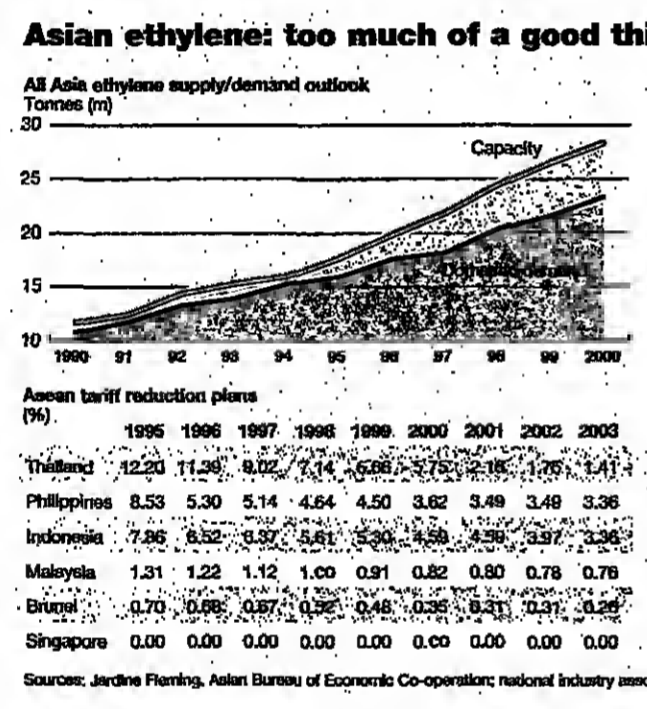
If all the firm investment plans for the production of ethylene - the industry benchmark - are carried to fruition, south-east Asian nations could witness a capacity rise by 2003 of around 4m tonnes per annum (tpa), adding to a current capacity of around 2.2m tpa. If projects described as likely but still under study are embarked upon, a further 1.3m tpa capacity could be built by 2003.

Demand, meanwhile, is expected to grow by around 8 per cent annually in the south-east Asian region, assuming that current rates of economic growth rates are maintained. On this basis, it is clear that demand will lag supply.

Producers aim to resolve this by displacing imports from their domestic markets, but this will be no easy task.

South Korea is an aggressive exporter of petrochemicals into the region, with considerable domestic overcapacity of its own.

Similarly, the petrochemical industries in Japan and Taiwan depend on sales into south-east Asia.



ethylene and polypropylene.

Some industry executives outside Indonesia said that in addition to tariff barriers, customs officials often delay their petrochemical cargoes for up to two weeks, making it more difficult to compete with local producers, which do not have to traverse customs.

The pressure on governments to provide protection is sometimes intense. Potential investors, including Mitsui of Japan, pulled out of a \$130m polypropylene project in the Philippines earlier this year, complaining that tariff protection was not strong enough.

Thailand, which levies a 12 per cent petrochemical import tariff, has the most aggressive expansion plans in the ASEAN region, reinforced by a strong state involvement in its planned ethylene cracking plants.

Officials, however, stress that the country is committed to reducing tariffs.

"We think our industry can survive the declining tariffs because the domestic market is growing so fast. The more companies can sell in Thailand, the less they need to be protected," said Mr Pongsak Angsupon, deputy secretary general of the Board of Investment.

In one recent episode, Singapore complained to the World Trade Organisation over what it claimed were unfair restrictions on its exports of plastics to Malaysia. Kuala Lumpur denied that a system of import licences for some categories of petrochemicals from Singapore were acting as a non-tariff barrier. The issue was later resolved through bilateral discussions.

One response to the looming overcapacity has been to try to beat the rush.

Some company executives said plans to build had been brought forward and officials in Singapore said that the speed of land reclamation for the huge Jurong island complex had been accelerated.

Manuela Saragosa, Ted Bardacke, Edward Luce and James Kyng

state oil companies," said Mr Roelf Venhuizen, director of Shell Chemicals in Singapore.

Malaysia is a telling case study of the forces which make it unlikely that petrochemical projects will be abandoned. The country imports about 60 per cent of its plastics feedstocks but it is keen to reduce this reliance, partly to whittle down a worrying current account deficit.

Leading the move into petro-

chemicals is Petronas, a highly profitable state oil company which is wealthy enough to withstand years of possible losses. Petronas is also an upstream oil and gas producer, meaning that it is well placed to reap the benefits of downstream integration. Finally, Malaysia can look to a promising domestic market where the per capita plastic consumption is about one third of the 70-80 kg typical in developed nations.

To varying degrees, the

Taiwan party transfers cash

ASIA-PACIFIC NEWS DIGEST

Taiwan's ruling Nationalist party has transferred control of more than \$100m in party-owned assets in Hong Kong to a Singapore subsidiary as a precautionary step before the British colony's reversion to Chinese sovereignty next year.

The Nationalist party, also known as the Kuomintang, is reticent about its business activities and officials were unavailable to comment on a report in the leading United Daily News. The assets, including property and trading companies, were transferred to Asia Pacific Holdings Syndicate, a Singapore-registered subsidiary of party-owned Asia Pacific Holdings, the report said.

Mr Liu Tai-ying, chairman of the party's business management committee, was quoted as saying: "In the event that our party assets encounter problems in Hong Kong, the Singapore government will come to our aid." Singaporean assets are safeguarded in China under a bilateral investment protection agreement. Nationalist party officials hope the transfer will prevent any moves by China to confiscate or intervene in the management of the assets after 1997.

Beijing regards Taiwan as a renegade Chinese province and the Nationalists as an illegitimate rebel government. China has indicated that Taiwan's substantial private business interests in Hong Kong will be unaffected by the colony's takeover, but has also hinted that Taiwan's existing quasi-official representative offices will not be welcome. Until the 1990s the assets of party and state were nearly indistinguishable, but the Nationalists have made strenuous efforts to separate party business operations from those of the Taiwan government.

Laura Tyson, Taipei

US-Japan electronics talks end

The electronic industries of Japan and the US have failed to reach a comprehensive agreement on a new framework for bilateral co-operation, an industry association said yesterday.

The Electronic Industries Association of Japan (EIAJ) said the two sides remained apart on three of four key outstanding issues discussed in a fourth round of negotiations held over the weekend in Vancouver, Canada. The negotiations were aimed at working out a framework for industry-to-industry co-operation after the existing governmental semiconductor trade accord expires at the end of this month.

Both sides, however, agreed to promote bilateral co-operation in such fields as the standardisation of technologies for equipment to produce next-generation 300 mm wafers, energy savings and the protection of intellectual property. They agreed to continue negotiations in parallel with governmental talks on semiconductor trade between the two countries, the officials said.

Kyodo, Tokyo

Vietnam life insurance scheme

A state run Vietnamese insurance company, Bao Viet, plans to launch the country's first life insurance scheme and hopes to sign up its first customers by next month, the semi-official weekly Vietnam Investment Review said yesterday.

The move follows Bao Viet's announcement earlier this month that it had set up a subsidiary called Life Insurance Company (LIC), capitalised at \$1.5m. Locals would be able to take out insurance of up to \$4,500. The company would also offer a special policy for children under 18. Annual per capita income is \$500 in Hanoi and \$300 in Ho Chi Minh City.

Vietnam's fledgling insurance industry was for years dominated by Bao Viet until its monopoly was broken last year with the establishment of Bao Minh, Nha Long Co, Pijico - a unit of the ministry of trade-controlled petroleum - distributor - PetroVietnam Insurance Co and Vinare, a reinsurance company under the finance ministry.

No foreign company has been allowed to sell insurance products in Vietnam but Tokyo Marine & Fire Insurance of Japan and Commercial Union of the UK have signed a joint venture contract with Bao Viet which has yet to be licensed. Yasuda Fire & Marine Insurance and the Mitsui group are in talks with Ho Chi Minh City-based Bao Minh, for another joint venture.

Jeremy Grant, Hanoi

Pakistan transport strike

A strike by commercial transport owners disrupted Pakistan's southern province of Sindh yesterday. The strike was held to protest against new taxes announced in last month's annual budget and affected Karachi, the southern port city and capital of Sindh, where traffic was thin and office attendance low.

The strike raised further concerns over the ability of the government to stay on course with last month's tax measures that have been opposed by a number of businesses and industries.

Farhan Bokhari, Islamabad

EU and Pakistan to seek closer political ties

By Farhan Bokhari in Islamabad



The European Commission and Pakistan yesterday announced that they would seek closer political and economic ties, in spite of the recent concerns over the use of child and bonded labour.

Mr Mannel Marin, the Commission's vice president, said at the end of a three-day visit to Pakistan: "We want to develop a specific framework and a specific programme with Pakistan in order to fight and control this issue [of bonded and child labour]."

However, Mr Marin gave a guarded

response when asked to comment on criticism that despite new laws introduced recently, there has been little progress on prosecuting powerful individuals involved in the use of bonded labour.

He said: "I am not here to examine Pakistan... I am here to propose a modus operandi in order to establish political conditions... to fight this issue."

He also said the issue was of great concern to the European Union but advised against singling out Pakistan.

Pakistan outlawed the use of bonded labour in 1991, though many critics charge that the practice still

continues, especially in the rural areas of the southern province of Sindh and the south of the province of Punjab.

Concerns have grown in recent months that western importers may restrict Pakistani exports, on the grounds that they were produced with the use of child or bonded labour.

Mr Marin said that his talks - with President Farooq Leghari, Me Benazir Bhatti, the prime minister, Mr Assef Ahmad Ali, the foreign minister and Mr Ahmed Mukhtar, the commerce minister - had centred on better co-operation between the

European Union and Pakistan.

He said the EU, Pakistan's largest trading partner, had decided to open talks for a new treaty of economic co-operation between the two sides.

Mr Assef, who was present at the news conference, said his talks with Mr Marin also covered India-Pakistan relations and their dispute over the Himalayan region of Kashmir.

Mr Marin reiterated that the position of the EU on the issue of Kashmir was that the question must be solved peacefully through negotiations between India and Pakistan.

JAVICO 1350

ATLANTA OLYMPICS

First and last Games for St Kitts-Nevis

Caryl Phillips sees a small nation prepare: first the T-shirt, then the team

St Kitts and Nevis, the tiny island federation in the eastern Caribbean, is one of 26 countries taking part in the Olympics for the first time. Unlike the other 27, this is likely to be St Kitts-Nevis' last Olympics as well.



Greeting the world - but only during the commercial break: the St Kitts-Nevis team at the opening ceremony in Atlanta.

But Atlanta is not St Kitts' first share of the games' spotlight. Eight years ago, in the wake of the Seoul Olympics, the twin island state attracted the attention of the world's sporting press as the home of the doctor and adviser to Ben Johnson, the sprinter stripped of his Olympic title for using drugs.

Then last Friday, as viewers throughout the Caribbean watched the coverage of the parade of nations at the opening ceremony carried by US network NBC, the realities of the Olympic games struck home again. Just as St Kitts-Nevis were about to enter the stadium, before an estimated 3.5bn world television audience, NBC cut to a commercial break. The people of St Kitts-Nevis were outraged.

But four weeks ago, the truth was most people in St Kitts-Nevis seemed unaware their country was about to participate in its first games. Alphonso Bridgewater, or Bridges, as the president of the local Olympic association is known to locals, teased me a St Kitts Olympic T-shirt, and explained: "It's only when the team get to Atlanta that people will realise the importance of this venture."

The island federation in the Leeward Islands chain of the Caribbean, with a population of 44,000, gained independence from Britain in 1983, and since then has steadily developed a tourist industry to outstrip the traditional sugar crop as its chief money-spinner. Now, Bridges hoped entering the Olympics would put St Kitts-Nevis on the map, and boost awareness of the islands as a holiday destination and investment opportunity.

I asked Bridges how a nation goes about sending a team to Atlanta when it has so little in the way of a sporting infrastructure. Was it true there were no athletic facilities on the islands? No viable equipment, no resident coaches, in fact no running track. (There is a cricket ground, used for St Kitts' and the rest of the West Indies' most popular sport.)

Bridges conceded there were problems. In fact, more problems than I realised. I had forgotten that entry to most Olympic events means beating minimum qualifying standards. Four weeks before the games, only one athlete had qualified, Diana Dunrod-Francis, a 400m

runner based in Alabama, who was expected back "home" any day. However, there would soon be national trials, in the hope that locally based athletes might achieve the qualifying times in track distances between 100 and 800 metres. People were training hard - running on the beach and around the cricket field - and Bridges and others had tried to implement a "nourishment programme" and some weight training. There was still time. The final trials were not until the next weekend.

The islands had come a long way since being accepted into the Olympic movement by the International Olympic Committee in 1989. This was not their first attempt to join, but obstacles, in the form of administrative inertia, had been placed in their way. I suggested there was some fear in IOC circles that admitting too many small nations, each with its own vote, might dilute the power of the larger nations. Inevitably the balance of power would begin to swing toward the "Third World". Bridges smiled. Ever the diplomat, he simply said that once such nations as Palestine and the newly-independent states of the former Soviet Union had been accepted, there was an outcry to join from small nations like St Kitts-Nevis.

Once the nation was accepted by the IOC, the next step was to sort out the cranks. Suddenly, all sorts of "amateur sportsmen" discovered a bona fide affiliation to St Kitts-Nevis, which they believed gave them the right to compete under its

flag. Few managed to survive close governmental scrutiny, but a resigned Bridges admitted there was a "kittitian" somewhere on the European snowboarding circuit and reluctantly arranged for him to be sent a flag.

Two years ago all the nations competing in the 1996 Olympic Games sent delegates to Atlanta for a pre-games IOC meeting. This was St Kitts-Nevis' first opportunity to taste life in the Olympic fast lane. Bridges' main tasks were to verify its flag and see that IOC officials held it the right way up, and to make sure the correct national anthem was played.

The nation comes of age even as it prepares to split in two

At the rented office space of the St Kitts-Nevis Olympic committee in the centre of Basseterre, capital of St Kitts, a cluster of men were sitting on and behind desks. Resources were clearly limited, but enthusiasm seemed high. There was a goal in sight. Money-raising had started, and an Olympic torch had already circled the island of St Kitts. T-shirts were on sale.

In Atlanta, the IOC would provide a chauffeured car and luxury hotel for Bridges, and the same facilities would be offered to the secretary-general of the St Kitts-Nevis Olympic committee. The St Kitts-Nevis party would also include a chef de mission, a team manager, a national

coach, and a physiotherapist. Dennis Douglas, the prime minister, and his deputy would put in an appearance for three or four days.

Bridges thought St Kitts-Nevis might send up to eight athletes. The IOC would cover the airfare and accommodation for all participating athletes. Bridges suddenly looked more optimistic. In fact, there might be quite a contingent from St Kitts-Nevis.

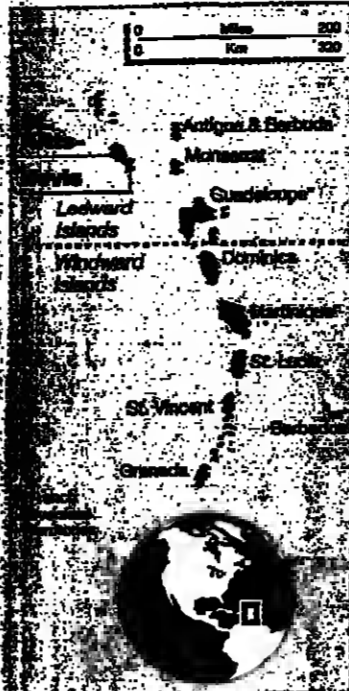
What, I wondered, would Bridges consider to be success? First, he answered confidently, for the nation to be noticed. Second, an athlete recording a personal best performance. Third, anybody getting beyond the first round. Finally, that this energy be translated into facilities back home, beginning with a synthetic athletics track.

It was hard to argue with him, particularly on his final point. If somebody in government or business was inspired to sponsor some kind of facilities for young athletes by witnessing the efforts of the St Kitts-Nevis team, then everything would be worthwhile. Unfortunately, the Caribbean, with the possible exception of Jamaica, has a way of neglecting its own athletic talent. Many Caribbean-born athletes proudly adopt the colours of Britain, Holland or Canada. The men's sprint finals are traditionally full of such athletes.

But St Kitts can claim to have helped produce an Olympic champion of sorts. Ben Johnson trained in St Kitts before the 1988 Olympics, blasting his way around the cricket field. Running for Canada, he won a gold medal in the 100m final before being stripped of it when his drug test was found to contain steroids.

Johnson's doctor at the time, Jannis Astaphan, is a Kittitian who still practises medicine there; he is a pleasant and mild-mannered man, and I've known him for many years. In Atlanta last Friday morning I checked the Olympic infonet computer system in the main press centre. Facts and figures on St Kitts-Nevis flashed up on the screen: "There is periodic unemployment and inadequate housing. High infant mortality and emigration rates mean population growth is slow. Ninety per cent of the population is literate." But the computer could only tell me there was "no information available at this time" on the 1996 team. A few hours later this mystery would be solved.

On Friday evening, 10 athletes from St Kitts-Nevis paraded around the Olympic stadium during the opening ceremony. Individual places had been confirmed in the



ATLANTA DIGEST

First US medal given away

The first US medal of the Games was given away within minutes of its receipt on Saturday. The US women's swimming captain, Angel Martino, gave her bronze medal from the 100m freestyle to her friend, 30-year-old Trisha Henry, undergoing chemotherapy for cancer of the breast.

Longo - at long last

The grand dame of cycling, Jeannie Longo of France, finally broke her Olympic jinx yesterday to win gold in the women's road race. Longo, 10 times world champion but denied an Olympic title by fate at three previous Games, dug deep to break clear of her two challengers - Ines Chappa of Italy and Canadian Clara Hughes - on the last of eight laps of the 131km circuit and finish the 104km course in 2:36:13.

... and pass the ammunition

Russian soldier Olga Klochnova called on divine inspiration to depose competitor Marina Logvinenko and win the women's 10-metre air pistol gold with an Olympic record score of 490.1 points yesterday. Asked how she managed to keep her nerve, Klochnova said: "I am a Christian. I believe in God. I think he helped me to win."

Women's 100m breaststroke qualifiers: 1 Penelope Hayns (South Africa) 1:07.02 (world record), 2 Amanda Beard (USA) 1:08.04, 3 Agnes Kovacs (Hungary) 1:09.05, 4 Samantha Riley (Australia) 1:09.37, 5 Vera Lashchik (Austria) 1:09.68, 6 GUYLAINE Cloutier (Canada) 1:09.72, 7 Svetlana Roudarenko (Ukraine) 1:09.79, 8 Brigitte Becus (Belgium) 1:09.83

Water-polo: Hungary 9, Germany 6, Yugoslavia 9, Russia 9. Judo half-heavyweight: Second round: M. Fernandes (Brazil) beat Alejandro Bender (Argentina); S. Chakimov (Kazakhstan) beat N. Oerwaga (Fiji); A. Felicité (Martinique) beat Willian Bouza (Uruguay); Keith Morgan (Canada) beat Arturo Gutierrez (Mexico); Pawel Nastula (Poland) beat Antal Kovacs (Hungary); Gigi Guido (Italy) beat Khaibroullou; Angel Sanchez Armentero (Cuba) beat Yvan Radu (Romania); Pedro Soares (Portugal) beat Detlef Knorrek (Germany).

Third round: Fernandes beat Chakimov; Felicité beat Morgan; Nastula beat Guido; Soares beat Sanchez Armentero.

Women's 10-metre air pistol final: 1 Olga Klochnova (Russia) 490.1; 2 Marina Logvinenko (Russia) 488.5; 3 Mariya Gruzdeva (Bulgaria) 486.5

Women's cycling road race: 1 Jeannie Longo (France) 2:36:13; 2 Ines Chappa (Italy) 2:36:28; 3 Clara Hughes (Canada) 2:36:44

Men's 4x200m freestyle relay: Heat 1: 1 Great Britain 7:21.88, 2 Germany 7:22.17, 3 Brazil 7:28.82, 4 Venezuela 7:32.63, 5 Croatia 7:43.69 Heat 2: 1 Italy 7:22.89, 2 Australia 7:23.24, 3 New Zealand 7:24.85, 4 Uzbekistan 7:40.60, 5 Ecuador 7:54.37, 6 Kyrgyzstan 8:00.00 Heat 3: 1 US 7:28.28, 2 Sweden 7:20.61, 3 France 7:32.98, 4 Netherlands 7:28.39, 5 South Korea 7:45.98, 6 Singapore 7:54.19

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The Financial Times plans to publish a Survey on Mexico on Monday, September 23.

The survey will look at the country's economy, politics, financial markets, foreign policy and more. For more information on advertising opportunities in this survey, please contact: Michael Geach in New York Tel: (212) 688-6900 Fax: (212) 688-8229 or Juan Martinez Dugay in Mexico: Tel: (525) 395-5888 Fax: (525) 395-4985 or your usual Financial Times representative.

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LAWYERS FOR BUSINESS

Hollinger proposes \$285m Fairfax share deal

By Bernard Simon in Toronto

Mr Conrad Black's Hollinger International newspaper group may raise as much as \$285m through securities backed by its stake in John Fairfax, the Australian publisher.

Hollinger International, which is 66.5 per cent owned by Mr Black's main holding company, Toronto-based Hollinger Inc, also said it was trimming a planned international equity issue because of stock market turbulence.

The proposed Fairfax deal, disclosed in a filing to the US Securities and Exchange Commission, could lay the ground work for the disposal of Mr Black's 24.7 per cent interest in the Australian chain, which is held through the UK's Telegraph group.

A decision is expected to hinge on a forthcoming review of media ownership rules by the Australian government. The rules presently bar Mr Black from owning more than 25 per cent of Fairfax. Depending on the outcome of the review, he is likely either to increase his stake or sell.

Hollinger said in the SEC filing that the securities would be designed "to monetise its investment in Fairfax... while retaining the option of maintaining or increasing its indirect holdings."

The scaled-back share issue is one of a number of debt and equity deals designed to replace short-term borrowings incurred in Hollinger's pending buy-out of minority shareholders in the Telegraph group and expansion of its stake in Canada's Southern newspaper chain from 21 to 41 per cent.

Analysis and credit rating agencies have expressed concern about the impact of the Telegraph and Southern deals on Hollinger's balance sheet.

Hollinger shares have dipped from a peak of \$137 on the New York Stock Exchange in May to \$10. They gained 25 cents on Friday. The equity issue, initially set to raise about \$425m, has been reduced from a minimum of 18m convertible preferred shares to 10m and 15m respectively.

Toshiba to extend international alliances

By William Dawkins in Tokyo

Mr Taiso Nishimuro, the new president of Toshiba, Japan's second largest integrated electronics company, is planning to seek international alliances or closures where the group cannot compete effectively alone.

Mr Nishimuro, in his first interview with a foreign newspaper since taking office last month, said he had launched a review of the group's operations, with the aim of focusing more sharply on basic semiconductor technology, integrated systems (advanced microchips), visual communications and power generation, its core businesses.

"The technology and the businesses which we are engaged in are getting more complex. In these circumstances, if we try to do everything by ourselves, we are making a mistake. We would rather concentrate on businesses where we can claim to have something to contribute," he said.

Toshiba would seek new international alliances in "potentially every business sector but wherever we feel it is better, not only with large, but also small enterprises".

The group already has joint ventures with Motorola of the US in semiconductors, Time Warner of the US in cable television, IBM in visual displays and Thomson Multimedia of France in video cassette recorders, among others.

Where alliances proved unsuitable, there would be closures, though Mr Nishimuro declined to specify, beyond saying that they would be carried out in a "quiet and patient" manner.

Mr Nishimuro's appointment has been widely seen among other Japanese companies as a mark of change at Toshiba. He has spent most of his career working in semiconductors and consumer electronics, rather than engineering, as have most previous Toshiba presidents.

Group net profits declined in the three years to 1994, since when they have bounced back, with more than doubled profits of ¥90.4bn (\$629m) in the year to March, helped by strong demand for semiconductors, on a 7 per cent increase in group sales to ¥5,120bn. But the company faces a sudden sharp drop in demand for semiconductors and fierce competition in multimedia.

However, Mr Nishimuro expects Toshiba's information technology, communications systems and semiconductors division to grow faster than its engineering interests over the next decade. It will be helped by the launch next autumn of the digital video disc player, widely tipped to be the most important consumer electronics product of the 1990s.

He predicted that the electronics businesses would account for 66 per cent of total sales in 10 years' time, up from 54 per cent last year. Of the remainder, 22 per cent was in heavy electrical apparatus, such as power generation equipment, and consumer products. Fresh outlook at the top, Page 13

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international alliances in "potentially every business sector but wherever we feel it is better, not only with large, but also small enterprises".

The two groups' shares start trading separately next month amid less noise about a bid for the music side

Thorn and EMI prepare to dance to different tunes

losing Rumbelows) from £1.62m to £1.54m. SBC Warburg, which is advising Thorn EMI, forecasts an 11 per cent rise in pre-tax profits to £190m this year.

However, Thorn's international breadth and its idiosyncratic mix of retail and rental activities make it difficult to value. The middle of the range of share analysts have borrowed to estimate quarterly figures - than in the outlook for the Thorn retail chains and EMI music group as independent entities. On Friday the group's shares closed at £17.35, a market value of £7.47bn (\$11.6bn).

The immediate concern for Thorn EMI's investors will be the value of the two companies' shares when they start trading separately next month. Yet the subject to the demerger is whether it will, as the speculators hope, trigger a bid for EMI.

Thorn, a series of household retail and rental chains including Rent-A-Center in the US and the UK's Radio Rentals, has most to gain from the demerger. Overshadowed by the bigger and more glamorous music business, it should benefit from focused senior management and the full attention of the investment community.

Thorn's finances improved after last year's part-sale, particularly of Rumbelows, the troubled electrical chain. It registered a 23 per cent increase in operating profits to £187m (\$152m) in the year to March 31 on turnover down (because of

EMI Group's artists include (clockwise from top left) The Beatles, George Michael, Radiohead, Roberto Alagna and Angela Gheorghiu

EMI's valuation is more straightforward. As the fourth largest of the big five companies that dominate the \$40bn (\$26bn) music market and the owner of the world's biggest music publisher as well as the HMV chain of record shops, it should command a healthy premium, as does the closest comparable company, PolyGram. Mr Steve Winram, media analyst at BZW Securities, expects its shares to start trading at about £13.50, valuing EMI at around £5.5bn.

The company's prospects seem bright. EMI raised pre-tax profits 25 per cent to £425m (\$341m) in the year to March 31, on revenue 23 per cent higher at £2.71bn (\$2.19bn). Older, the George Michael album, is selling well and the new Beatles release is expected to be a hit this autumn.

EMI's outlook is still coloured by bid speculation. A year ago the prospect of a North American entertainment group snapping up the last of the big five record companies to remain in private hands was considered a near certainty, but now the odds are longer.

One issue is expense. Thorn EMI's shares have risen 70 per cent in the past 18 months and Mr Nigel Reed, media analyst at Paribas, suspects EMI could cost up to £7.74bn, given there are several suitors and a bid might trigger an auction.

Another consideration is that the likely bidders have been distracted by other issues. News Corp is concentrating on expansion in television, as illustrated by last week's \$2.5bn offer for New World Communications. Viacom is constrained by the debt

incurred to buy the Paramount movie studio. Walt Disney is still getting to grips with the recently acquired Capital Cities/ABC. Even Seagram, the market's favourite bidder given that EMI would neatly complement its MCA record labels, is said to be wary about entertainment investments after the costly MCA deal.

If there is no bid, what will happen to EMI's shares? Sir Colin insists that it justifies its premium on fundamentals given the music market's growth prospects and the potential for diversification into music-related fields such as radio, television and direct record sales.

Yet analysts suspect that, even if a bid does not materialise promptly, the speculation will simmer on. "The market won't believe EMI isn't going to be bid for until it sees sworn affidavits from the head of every entertainment group," said Mr Mike Hilton, media analyst at Kleinwort Benson. "And that will never happen."

Alice Rawsthorn

EMI Group's artists include (clockwise from top left) The Beatles, George Michael, Radiohead, Roberto Alagna and Angela Gheorghiu

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GKN in exclusive deal with Fiat

By Heig Simonian, Motor Industry Correspondent

GKN, the world's leading maker of constant velocity joints for the motor industry, has signed an exclusive deal to supply parts for Fiat's new Pallas world car wherever it is built around the globe.

The secret deal is the first time a carmaker has agreed to let a components company supply crucial parts for a new model on such an international basis.

The Pallas, designed for fast-growing car markets in south America, Asia and eastern Europe, will probably be built in at least six countries, including Brazil, Argentina, Poland and India.

GKN declined to put a value on the deal. However, Fiat has said production of the Pallas, launched in Brazil earlier this year, could reach up to 1m units a year at full tilt.

The agreement marks a further step in GKN's strategy to develop its international coverage to meet the needs of carmakers as the motor industry grows more global.

The UK group is expected shortly to announce a number of other transactions to reinforce its position as a leading international components maker.

In China, it plans to double its 25 per cent stake in Shanghai GKN Drive Shaft, a joint venture which supplies CVJs to Shanghai Volkswagen, the country's biggest carmaker. It is also expected to announce that it will start manufacturing CVJs at a new site in northern China.

Thailand, which is establishing itself as a centre for the motor industry in Asia, is also under consideration for a new factory.

Eurotunnel to face French court if deadline passes

By Geoff Dyer in London and David Owen in Paris

Eurotunnel's fate will be in the hands of the president of the French commercial court if it fails to agree an outline refinancing plan with its banks by the end of this month.

Negotiators believe the court is likely to ask for a continuation of some form of non-binding arbitration between Eurotunnel and its 226 banks.

However, the court does have the option of beginning formal pre-insolvency procedures for the Anglo-French operator of the Channel tunnel if no agreement is in sight.

The two sides will continue their negotiations this week to try to break the deadlock before the end of the month. The talks, which have made progress in recent weeks, are believed to centre around the sizes of a debt-for-equity swap and a convertible bond issue.

In February, the commercial court appointed two mediators

Mr Robert Badinter and Lord Wakeham - to assist the negotiations, which began in September when Eurotunnel halted interest payments on \$3.4bn (\$1.1bn) of debt.

However, the mandate of the two mediators, who last week presented their report on progress in the talks to the French court, runs out on July 31.

At the group's annual meeting last month, Mr Patrick Ponsolle, co-chairman, said that if the company did not reach an outline refinancing agreement by the end of July, we will never have to bear the consequences.

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INSIDE

Metallgesellschaft
Metallgesellschaft, the German industrial and trading company that nearly collapsed in 1994, backed off at the weekend from an out-of-court settlement of bitter legal disputes with its former chairman, Mr Heinz Schimmelbusch, saying he should admit clear responsibility for the crisis. Page 21

Digital Domain
Digital Domain, one of the largest of Hollywood's new breed of digital entertainment companies, is considering making a public share offering to finance its expansion into film production. Page 21

Lucas Industries
Lucas Industries, the UK automotive components group, appeared confident of completing its planned £2.2bn (\$3bn) merger with Varty Corporation of the US, despite suggestions that Caterpillar, the US earth moving equipment and diesel engine manufacturer, might mount a hostile bid for Varty. Page 20

Global Investor
Efficient market theory suggests stock picking should not work over the long run, although studies have shown that anomalies do persist. While some systems have produced brilliant results when back-tested over previous years, they seem to break down when hard cash is invested. Better luck will be needed for a new investment trust which is based on a theory of earnings momentum. Page 22

Emerging Markets
According to Mr Graham Catterwell, head of equities at Deutsche Morgan Grenfell: "Thailand's a manic-depressive market - when it's down it's the end of the world and everything's going to zero. And when it's up nothing can go wrong." Unfortunately, this year the mood is down. Page 24

COMPANIES AND FINANCE

Lucas confident of completing Varsity merger

By Ross Tieman and John Griths

Lucas Industries last night appeared confident of completing its planned £3.3bn (\$4.9bn) merger with Varsity Corporation of the US, in spite of suggestions that Caterpillar, the US earth moving equipment and diesel engine manufacturer, might bid for Varsity.

The driving force for the LucasVarsity merger is the desire to combine Lucas's brakes business with Varsity's Kelsey-Hayes subsidiary, a world leader in anti-lock braking systems for light trucks. LucasVarsity would be one of the world's top automotive component groups, with Varsity's Mr Victor Rice at its head.

But directors of Lucas and Varsity have yet to discuss employees will transfer to GSAM, and will continue to invest the coal industry pension fund liabilities.

GSAM was among five institutions bidding for CINMan, which was originally sold for £70m to Friends Provident in December. However, the Friends Provident deal fell through within six weeks when the fund managers rejected it.

The enlarged GSAM will have about \$85bn (£54.4bn) under management. The deal is part of GSAM's efforts to manage large, complex portfolios for which it can use its global asset allocation techniques.

Mr David Ford, co-chief executive of GSAM, said he believed its ability to improve the investment performance of the coal industry pension funds had been as important in winning the deal as the initial purchase price.

Sharp rise in bid activity

By Motoko Rich

UK bid activity increased by nearly 50 per cent in the year to March 31, reaching its highest level since the end of the 1980s.

According to the Takeover Panel's annual report, there were more takeover or merger proposals published in 1995-96 than in any of the previous six years.

Some 156 takeover or merger proposals were published, up from 108. Of these, 151 (106) issued formal documents - associated with 145 target companies.

Of the formal offers, 37 were not recommended initially and 32 of these remained hostile. Of the unrecommended bids, eight lapsed.

The panel consulted on a further 241 cases which either did not lead to published proposals, or involved controlling blocks of shares.

The high level of activity helped the panel more than double its surplus after interest and tax to £2.02m (£900,096), on income of £5.46m (£4.6m). The accumulated surplus was £7.55m.

The contract note levy will be cut from 81 to 25p per transaction from February 1.

Readicut moves into wallpaper

Readicut International, the household textiles, carpeting and yarn company, is moving into wallpaper with the purchase of Alan Farrow Group in a deal worth £28.8m.

Goldman buys CINMan

By John Gepper, Banking Editor

Goldman Sachs, the US investment bank, is to buy CINMan, the pension fund manager for 500,000 current and former UK coal industry employees. The deal concludes a 16-month effort to sell CINMan.

The sale includes a six-year management agreement covering 18m of CINMan's assets which are held in marketable securities. A further £2bn is held in property.

The deal gives Goldman Sachs Asset Management its first chance to manage a balanced portfolio in the UK. The firm already employs fund managers in the UK, but they invest overseas funds in European securities.

GSAM is thought to have paid between £40m and £50m to buy CINMan. Most of its £5

employees will transfer to GSAM, and will continue to invest the coal industry pension fund liabilities.

GSAM was among five institutions bidding for CINMan, which was originally sold for £70m to Friends Provident in December. However, the Friends Provident deal fell through within six weeks when the fund managers rejected it.

The enlarged GSAM will have about \$85bn (£54.4bn) under management. The deal is part of GSAM's efforts to manage large, complex portfolios for which it can use its global asset allocation techniques.

Mr David Ford, co-chief executive of GSAM, said he believed its ability to improve the investment performance of the coal industry pension funds had been as important in winning the deal as the initial purchase price.

"If you can improve the value of the funds over the life of the contract, it is worth a great deal more than the purchase price," said Mr Ford.

The length of the contract appealed to GSAM because it ensured it a long-term commitment.

GSAM now manages public employees' pensions in Japan, and is also developing mutual funds there.

Mr Neil Clarke, chairman of British Coal, said that bids had sought and received from "a number of very high quality institutions". He said Goldman Sachs' ownership would give CINMan's staff new opportunities.

Bank of Scotland awaits fate of stake this week

By George Graham, Banking Correspondent

Bank of Scotland will this week learn the fate of the 29 per cent stake which Standard Life, its largest shareholder for the last 11 years, has put up for sale.

After two weeks of roadshows, which have coincided with some of the most turbulent stock market conditions for years, investment bankers at BZW will today begin gathering orders for the shares in the bookbuilding process.

On Wednesday, they will announce the price and tell institutions how many of the 351m shares offered by Standard Life have been allocated.

BZW conducts the exercise through a computer model which collates orders and displays the patterns of demand, broken down by geography, price, order size and type of investor, on 12 stacked Macintosh screens.

"It is a well-managed bank and it has had a premium rating for as long as I can remember. The question you have to ask is, was that premium rating created by the quality of

the management, or by the fact that 29 per cent of the shares were locked up in the hands of Standard Life," says Mr David Footney of Pennington Gordon.

Its post-tax return on equity has averaged 13.3 per cent in the past nine years and Sir Bruce boasts it has increased its dividend for the past 24 years.

Critics counter that its dividend yield is still the lowest in the sector and that other banks have caught up to its return on equity. Moreover, its loan growth has been much faster than rivals, lowering its return on weighted risk assets to just 0.88 per cent, some 40 per cent below the sector average.

Although the share price has held up well in the recent market turmoil at about 24p, many institutions are still seeking a discount of about 10 per cent from the trading range before the offering of 24p-24.5p.

"You are absorbing a lot of the net buying demand for months to come, so the price will go to sleep. That means that people will want it to look explicitly cheap," concluded one analyst.

Costain vote 'too close to call'



Alan Lovell: receivership faced if shareholders block rescue plan

By Andrew Taylor, Construction Correspondent

Today's vote by Costain shareholders on a £73.6m rescue share issue, "was too close to call", Mr Alan Lovell, chief executive, said last night.

Intria, a Malaysian construction company which is underwriting a large part of the issue, is expected to be left with a stake of up to 40 per cent of the enlarged capital.

Mr Lovell has said that Costain would be forced into receivership if shareholders blocked the issue.

Costain's bankers, which are also underwriting the issue, could be left with a holding of up to 35 per cent, swapping debt for equity.

However, the two largest shareholders - Kharafi, a Kuwaiti industrial conglomerate, and Raymond International, a Saudi Arabia-based construction company - object to the terms.

Both companies, which each have a stake of about 19 per cent, previously have indicated to Costain that they will vote against the proposals.

A number of UK institutional shareholders have said they will support the company in the absence of any other rescue proposals.

Shareholders are being offered three new shares at 50p each for every one owned. The shares, suspended this month at 39p, will be re-listed if the proposals are approved.

Three in frame for Westminster Press sale

By David Blackwell

Three bidders are likely to emerge before the end of this month for Westminster Press, the UK regional newspaper business which was put up for sale last month by Pearson, the media group.

The three are understood to be Mirror Group Newspapers acting with Independent Newspapers, the Irish media group; Newsquest, a management buy-out from Reed Elsevier last year, led by Kohlberg Kravis Roberts, the US investment firm; and CinVen, the venture capital group. Due diligence operations started last week.

Among those that have fallen by the wayside - perhaps deterred by the minimum £300m price tag - are United News and Media and the Daily Mail and General Trust.

Pearson, which also owns the Financial Times, last month appointed Lazard Brothers to approach about half a dozen potential buyers.

The Mirror Group's continuing interest in regional newspapers has been reflected through its stake in Scottish Television, which is bidding £120m for Caledonian Publishing, publisher of The Herald and Evening Times in Glasgow. Nevertheless, MGN is believed to feel that the price being sought for Westminster Press is on the high side.

Last year Westminster Press made operating profits of £25m on sales of £143m before exceptional charges of £5.7m for redundancies and closures. It has more than 50 titles, including the Evening Argus (Brighton) and the Oxford Times. Total circulation is more than 2.4m papers, but is in decline - in the first half of 1995 Evening Argus sales fell 8 per cent to 62,652.

Mr John Makinson, Pearson finance director, last month described the disposal as "a sensible way to free resources" to achieve better positions in the group's chosen international markets of information, education and entertainment.

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Takeover bid for Leeds FC in court

By Patrick Harveron

A High Court judge will decide this week whether the £16.5m takeover of Leeds United Football Club by Caspian, the publicly-quoted media group, should be allowed to proceed.

The court today will hear a petition lodged by Mr Peter Gilman, one of Leeds' three executive directors, asking for the deal to be blocked on the grounds that it breached a prior agreement he had struck with the Yorkshire club's other two directors.

Just over a fortnight ago the two directors, Mr Leslie Silver, the former Leeds chairman, and Mr Bill Fotherby, the current chairman, accepted an 82.5p a share offer from Caspian. They rejected a higher

rival bid from Conrad, the sports and leisure group, that Mr Gilman had backed.

He claims their deal breached a verbal agreement between the directors that each would be given a veto on their shares in the event of an offer for the club. Each of the directors owned stakes of 22.8 per cent.

At the weekend Mr Fotherby wrote to shareholders explaining that Caspian's offer was backed by the best combination of funding and management skills to allow Leeds to capitalise on its position as a top English club.

Meanwhile, Conrad has revealed it is considering approaches from various clubs seeking help in securing a stock market flotation.

ICI set to detail £400m cost cuts

By Jenny Luesby

Imperial Chemical Industries will this week unveil details of its £400m cost-cutting and efficiency drive in an effort to stem the slide in its share price, which has fallen by more than 17 per cent in three months.

On Thursday, as the group announces an expected drop in interim profits, Mr Charles Miller Smith, chief executive,

will face tough questions on how he plans to meet his pledges.

Mr Miller Smith has yet to provide details of the "value gain" programme, which he said last year would be at the heart of a new direction for the group. "All we have heard so far is very nebulous," said one analyst. "We are going to need something far more concrete."

This pressure for information has intensified as the out-

look has deteriorated. Analysts now expect a fall of more than 30 per cent in the group's second-quarter earnings, with pre-tax profit forecasts ranging from £172m to £198m, compared with £268m last year.

The slide has been caused by external factors, with overcapacity triggering a reversal in ICI's star business, polyester, and weak demand causing a slowdown in its other growth centre, the materials division.

However, it has also thrown the spotlight on to the potential of the value gap programme, which has left analysts floundering. "We are simply being asked to take the £400m on trust," said one.

ICI's Tioxide subsidiary is overhauling 15 sites, starting with Grimsby. Grimsby is investing £10m in manufacturing improvements, which it believes will cut costs by 15 per cent within 18 months.

WORLDINVEST

NOTICE

WORLDINVEST INCOME FUND

DECLARATION OF DIVIDEND No. 39

The Trustees of the Worldinvest Income Fund are pleased to announce an interim US\$7.50 per share distribution to Shareholders in respect of the half-year period from December 29, 1995 to June 27, 1996.

For holders of bearer units with accompanying coupons, Coupon Number 39, and any previously unrepresented coupons, may be presented for payment on or after August 1, 1996 to:

BankAmerica Trust Company (Jersey) Limited, PO Box 120, Union House, Union Street, St. Helier, JERSEY, JE4 80E, Channel Islands

For holders of registered units, the dividend will be distributed in accordance with individual mandating instructions in place.

Payments will be made subject to any applicable fiscal or other regulations within fourteen days of such presentation.

Due to new legislation a new Prospectus for the Worldinvest Income Fund has been produced and will be available from September 1, 1996 at the offices of the Manager.

WORLDINVEST EXCELLE

GLOBAL FIXED INCOME SUB-FUND

DECLARATION OF DIVIDEND No. 7

The Trustees of the Worldinvest Excelle Fund are pleased to announce an interim £0.28 per share distribution to Shareholders of the Global Fixed Income Sub-fund in respect of the half-year period from December 29, 1995 to June 25, 1996.

The dividend will be distributed in accordance with individual mandating instructions in place and will be paid on August 1, 1996.

Semi-annual Report and Accounts for both the Worldinvest Income Fund and the Worldinvest Excelle Fund will be available from August 20, 1996 at the offices of the Manager.

Worldinvest (Managers) Jersey Limited

Manager

NOTICE TO HOLDERS OF THE 7 1/4 PER CENT CONVERTIBLE SUBORDINATED BONDS 2007 OF ROYAL INSURANCE HOLDINGS PLC

NOTICE is hereby given that the scheme of arrangement dated 22nd May 1996 between Royal Insurance Holdings plc (the "Company") and the holders of the Scheme shares (as defined therein) became effective on 19th July 1996. As a result, 100% of the votes which may ordinarily be cast on a poll at a general meeting of the Company have become unconditionally vested in Royal & Sun Alliance Insurance Group plc ("Royal Sun Alliance").

Holders of 7 1/4 per cent Convertible Subordinated Bonds 2007 (the "Bonds") of the Company have the right ("conversion right") to convert their Bonds into ordinary shares of 25p each in the Company ("Royal Insurance shares").

Under the Articles of Association of the Company as amended at the Extraordinary General Meeting of the Company held on 14th June 1996, any Royal Insurance shares issued on conversion of the Bonds will be transferred to Royal Sun Alliance in such proportion to the number of 25p each in Royal Sun Alliance ("Royal Sun Alliance shares") as the basis of 1,067 Royal Sun Alliance shares for every 1,000 Royal Insurance shares so issued and so in proportion for any other number of Royal Insurance shares.

Under Condition 5(b)(x) of the Bonds, the applicable conversion price for the period of 60 days from the date of this notice will be 276.5p. The conversion price applicable on exercise of conversion rights (other than during the 60 days from the date of this notice) will be 257p subject to the Terms and Conditions of the Bonds.

Bondholders will receive more Royal Sun Alliance shares if they exercise their conversion rights during the 60 days immediately following the date of this notice (i.e. up to and including 20th September 1996) than if they exercise their conversion rights after the expiry of the 60 day period. In addition, Bondholders who effect conversion in the period up to and including 20th September 1996 and who retain the Royal Sun Alliance shares resulting from such conversion until the relevant record date will be eligible to receive the interim dividend payable on those shares in respect of the half year ending 30th June 1996.

Holders of Bonds are referred to the document dated 22nd May 1996 addressed to them (the "Bondholders' Circular"), which contains a unanimous recommendation from the board of the Company that holders of Bonds should exercise their conversion rights in order to obtain the benefit of the enhanced conversion rights referred to above. The board of the Company, which has been so advised by Baring Brothers International Limited, considers this proposal to be fair and reasonable. Copies of the Bondholders' Circular, together with an appropriate form of conversion notice, can be obtained from the offices of the paying agents referred to below.

PAYING AGENTS

Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE.

Bankers Trust Luxembourg SA, PO Box 807, 14 Boulevard F D Roosevelt, L-3450 Luxembourg.

Credit Suisse, Paradeplatz 8, 8001 Zurich, Switzerland.

Baring Brothers International Limited, which is regulated by The Securities and Futures Authority Limited, is acting for Royal Insurance Holdings plc and is not responsible to anyone other than Royal Insurance Holdings plc for providing the information afforded to customers of Baring Brothers International Limited or for providing advice in relation to the Merger.

The new Royal Sun Alliance shares to be issued under the scheme of arrangement referred to above and pursuant to the exercise of conversion rights in respect of the Bonds have not been and will not be registered under the United States Securities Act of 1933 (as amended) nor under the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly, in or into the United States except pursuant to an exemption therefrom.

Dated 22nd July 1996

Schlumberger

SCHLUMBERGER 1996 SECOND QUARTER EARNINGS

New York, July 18 - Schlumberger Limited reported today that net income was \$197 million and earnings per share were \$0.50, plus of 18% and 16%, respectively, compared to second quarter 1995. For the quarter, operating revenue was \$2.15 billion, 15% above the prior year. For the first six months, operating revenue was 15% above the prior year. For the first six months, operating revenue was 15% above the same period last year while net income was up 17%.

Chairman and Chief Executive Officer Euan Baird stated: "The continued strong growth of all our Oilfield Services product lines reflects the increasing confidence of our clients in their upstream operations and the commitments we have made to a broad range of technologies focused on improving productivity. The Measurement & Systems business had a poor quarter, mainly due to market pressures arising from significant technology changes and the confusion caused by deregulation in the electricity and gas utility businesses in Europe."

Oilfield Services revenue rose 22%, while the rig count worldwide increased 7%. All product lines contributed significantly to this quarter's results, including a profitable contribution from Geopac.

Measurement & Systems revenue increased 2% compared to the same period last year, with strong growth from Electronic Transactions largely being offset by lower metering revenue.

Citicorp Banking Corporation

Incorporated in the State of Delaware

Unconditionally guaranteed on a subordinated basis by

CITICORP

U.S. \$250,000,000

Guaranteed Floating Rate Subordinated Capital Notes

Due July 10, 1997

NOTICE IS HEREBY GIVEN THAT Citicorp (as successor in interest to Citicorp Banking Corporation) has elected to redeem on August 30, 1996 (the "Redemption Date") all of the U.S. \$250,000,000 Guaranteed Floating Rate Subordinated Capital Notes Due July 10, 1997 issued by Citicorp Banking Corporation on July 10, 1995 and assumed by Citicorp on November 28, 1994 (the "Notes"), at a redemption price, which will become due and payable on the Redemption Date, equal to 100% of the principal amount of the Notes to be redeemed plus interest accrued to, but not including, the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue.

The Notes are to be redeemed at the main offices of Citicorp, N.A. in London, Frankfurt am Main and Brussels, at the main office of Citicorp Bank (Luxembourg) S.A. in Luxembourg, at the main office of Citicorp Bank (Switzerland) in Zurich and at the main office of Citicorp Bank og Kreditvesen in Oslo. The Notes, together with all interest coupons maturing subsequent to the Redemption Date attached thereto, should be presented and surrendered at the offices set forth above on the Redemption Date.

July 22, 1996, London

By: Citicorp, N.A. (Corporate Agency & Trust), Paying Agent **CITIBANK**

JAVICO LTD

COMPANIES AND FINANCE

Metallgesellschaft fails to settle

By Andrew Fisher in Frankfurt

Metallgesellschaft, the German industrial and trading company that nearly collapsed in 1994, backed off at the weekend from an out-of-court settlement of bitter legal disputes with its former chairman, Mr Heinz Schimmelbusch, saying he should admit clear responsibility for the crisis.

The company's supervisory board met on Saturday to try to agree the terms of a settlement, but came to no conclusion. Metallgesellschaft said the non-executive board decided the question of responsibility should be brought out more clearly in any deal with Mr Schimmelbusch and Mr Meinhard Forster, former finance director.

The meeting was aimed at ending the legal suits between Mr Schimmelbusch and the company. Metallgesellschaft is

suing him for DM26m (\$16.5m), alleging dereliction of duty over the US oil futures trading losses that emerged in December 1993 and led to a DM3.4bn bank rescue a month later.

In turn, Mr Schimmelbusch is suing the company, Deutsche Bank, and Mr Ronaldo Schmitz, for \$10m, alleging defamation. Mr Schmitz, a director of Deutsche Bank which led the rescue operation, is head of the supervisory board.

Under an out-of-court settlement, the company would make payments to both men, agreed when they were dismissed during the crisis. These involve transitional arrangements before pension obligations come into force. The company has denied Mr Schimmelbusch would be paid up to DM5m.

Mr Schimmelbusch, who has business interests in the US and Europe, produced an 850-



Heinz Schimmelbusch: reply to charges runs to 850 pages

page document in his reply to the Metallgesellschaft charges, due to be heard in court this November. The company said this contained nothing new.

The complex oil derivatives deals that led to the rescue

package were carried out by US-based managers of Metallgesellschaft. In January, 1996, a special auditors' report reproached Mr Schimmelbusch for "careless actions of a high order" and said he should have exercised a special control and supervisory role.

It said his failure to do this showed "behaviour contrary to duty". The report, by auditors Wollert-Emmendorff and O&L Treuband (part of Coopers & Lybrand) also said he and Mr Forster had neglected their duty as directors by failing to be aware of the scale of the oil losses or to initiate remedial action.

At the weekend, the company said the supervisory board still believed the two men had breached their duties to Metallgesellschaft and their obligation to exercise control. The board will not meet again until the autumn.

Digital Domain may seek external funds

By Alice Rawsthorn

Digital Domain, one of the largest of Hollywood's new breed of digital entertainment companies, is considering making a public share offering to finance its expansion into film production.

Mr Steve Fredericks, chief operating and financial officer of Digital Domain, said the company, which has created effects for a string of blockbuster movies including Apollo 13, Interview With The Vampire and True Lies, intends to seek external capital within the next year or so.

"We haven't decided exactly what we'll do," he said. "There are various options: a public

offering of a small percentage of the equity, a private placing, or tapping the credit markets. But we'll do something within six to 18 months."

If Digital Domain does go public, the issue could generate as much excitement as Pixar, the US electronic film company behind Toy Story, which was valued at more than \$1bn after its flotation last year despite having only 200 employees and annual turnover of \$15m.

Like Pixar, Digital Domain is a young company, but has expanded rapidly since its formation three years ago by a consortium including IBM and James Cameron, director of Terminator.

The company has benefited from dramatically increased demand for computer-generated effects, which are now a standard part of most blockbuster films and can use up to \$25m of a \$75m-plus film's production budget.

Digital Domain employs 425 people at its headquarters near Venice Beach in California. It has become one of the biggest digital effects houses alongside Industrial Light & Magic, which was founded by the Star Wars director, George Lucas.

Mr Fredericks refused to disclose Digital Domain's turnover or profits, other than to claim it was "a number of times bigger" than Pixar. The company is working on

two big budget films, The Fifth Element and Dante's Peak, as well as on James Cameron's Titanic.

It also supplies effects for commercials and pop videos, and will launch its first CD-ROM, Barbie Fashion Designer, this autumn as a 50:50 joint venture with Mattel, the US toy group.

Mr Fredericks said Digital Domain is keen to diversify into film production. Its first project will be Arizona, which will use a new form of Toy Story's photo-realistic animation techniques.

However, he said, the company will need to raise external capital to fund the move into production.

NEWS DIGEST

Nestlé raises Osem holding to 40%

Nestlé, the Swiss food group, has raised its holding in Osem Investments to 40 per cent, giving it a controlling stake in Israel's second-largest publicly traded food manufacturer. The two companies announced yesterday that Nestlé purchased an additional 20.0m shares in Osem for \$140.31m. Last week, Nestlé exercised a \$40m option to purchase 10 per cent of Osem shares, of which it already owned 4.5 per cent.

Nestlé acquired the Osem shares from Claridge & Kolber Trust, owned by the Kolber family and Charles Bronfman of Canada, and from the Renaissance Fund, in which Claridge is a significant investor. Claridge purchased 33 per cent of Osem shares in 1991 from the families of two Osem founders for \$26m. Osem went public in 1992, selling 25 per cent of its shares. Osem shares on Sunday were trading down 0.26 per cent at \$14.18 (\$5.72), about 23 per cent below the \$7 per share Nestlé paid.

Osem, which comprises 12 production plants and five distribution centres, produces more than 1,000 items and in some categories has a market share of over 50 per cent. Reader, Tel Aviv

Wolfford earnings up 34%

Wolfford, the Austrian company which makes ladies' luxury tights, increased net profit in the year to April 1996 by 34 per cent to Sch166.5m (\$15.9m), comfortably ahead of the Sch150m forecast at the start of the year and notably faster growth than turnover, up 16 per cent at Sch1.47bn.

Wolfford, a stock market high-flyer since its shares were floated in February 1995, said turnover of its own brands - 91 per cent of sales - increased by 22 per cent. Turnover in Germany, accounting for a third of Wolfford's sales, rose 20 per cent. Net profit advanced 41 per cent to Sch175.7m. Net cash flow rose by 23 per cent to Sch245m and earnings per share by 31 per cent to Sch7. The company is proposing to increase its dividend from Sch12 to Sch15 a share. William Hall, Zurich

Deutsche Bank sells CNI stake

Deutsche Bank is to sell its 33 per cent stake in CNI, a telecommunications venture, to avoid a conflict of interest with its prominent role in the forthcoming share issue of Deutsche Telekom. The bank will sell the holding to Mannesmann, the German industrial company which is its partner in the fixed network operation.

Deutsche Bank gave no details of the proposed sale, but confirmed a report in Der Spiegel, the weekly news magazine, which said it had decided on the move. This follows the recent decision of Deutsche Bahn, the state-owned German railway company, to sell a 49.5 per cent stake in DBKorn, its telecoms operation, to Mannesmann. Andreas Fisher, Frankfurt

Canadian pulp groups down

Two of Canada's biggest integrated pulp and paper groups posted lower second-quarter earnings because of weak pricing and temporary mill shutdowns to adjust inventories. Abitibi-Price earned C\$22m, or 26 cents a share, after a C\$22m restructuring charge, down from C\$65m or 80 cents a share in the first quarter. Sales were C\$645m, against C\$676m. First-half profit was C\$95m or C\$1.07, compared with C\$98m or C\$1.14, on sales ahead to C\$1.55bn against C\$1.28bn. Abitibi is primarily a newsprint producer in Canada and the US.

Noranda made second-quarter profits of C\$16m or 8 cents, down from C\$48m or 33 cents a share earlier. Sales edged ahead to C\$874m from C\$869m. First-half profit fell to C\$27m or 13 cents a share, against C\$104m or 72 cents, on sales marginally ahead from C\$1.13bn to C\$1.14bn. Noranda's business is evenly divided between paper and building materials. First-half problems were in pulp and paper, but the inventory correction has largely been completed, consumption is growing, and second-half results should be better. Robert Gibbons, Montreal

Exor expands in Hong Kong

Exor, the investment holding company which is part of Italy's Agnelli group, is to pay HK\$200m (US\$27m) for a 4.3 per cent stake in Li & Fung Ltd, one of Hong Kong's oldest trading companies. Describing the move as part of a strategic alliance, Exor, Mr Victor Fung, chairman of Li & Fung, said: "We will be seeking to expand Li & Fung's customer base in Europe with the support of the latest step in Exor's expansion strategy in Asia. The company, with net assets of US\$2.8bn last year, has bought stakes in Guoco Group, Danone Asia and Pirelli Cables Asia. The Italian group has agreed to vote its shares in concert with Li & Fung (1997), the family-vehicle which remains a majority shareholder in Li & Fung Ltd. John Biddings, Hong Kong

Rhône-Poulenc ends joint-venture talks

By David Owen in Paris

Rhône-Poulenc, the French chemicals and drugs group, appears to have suffered a fresh setback with the termination of talks on forming a joint venture in animal feed additives with Archer Daniels Midland, the US grain and food processing company.

Rhône-Poulenc said the two groups had "decided to end negotiations for a previously announced joint venture to combine their animal feed premix businesses".

Negotiations conducted after the February signing of a letter of intent to form a 50:50 joint venture had "failed to reach an accord on significant issues surrounding completion of the transaction". Negotiations had been "terminated and the terms of the letter of intent have expired".

Rhône-Poulenc declined to say what these "significant issues" were. Archer Daniels Midland recently reported a 36 per cent decline in net earnings for its fourth quarter ended June 30, as price increases in its raw commodity ingredients eroded profits.

Earlier this year, the two companies said they planned to combine their manufacturing and marketing assets, as well as their financial shareholdings in "certain pre-mix

joint ventures and companies". They said the combined business represented annual sales of nearly \$400m and that the complementary nature of the businesses would "better position the partners to participate in the future growth of the worldwide animal nutrition market".

Pre-mixes are blends of nutritional additives, medicinal additives and trace elements manufactured for mixing in animal feeds.

In April, Rhône-Poulenc disappointed the market by announcing a 13.5 per cent decline in first-quarter net income, attributed mainly to higher interest costs and the amortisation of goodwill following last October's \$1.8bn acquisition of Fisons, the UK pharmaceuticals company.

On Friday, following the announcement of the termination of talks with Archer Daniels Midland, Rhône-Poulenc shares fell 60 centimes to FF125.40, a smaller fall in percentage terms than the benchmark CAC-40 index. French municipal services conglomerate Compagnie Générale des Eaux said its Sofitum unit would sell its refrigeration equipment component operations to Carrier, a subsidiary of United Technologies of the US. Terms of the deal were not disclosed.

Real estate side lifts profits at Ayala Corp

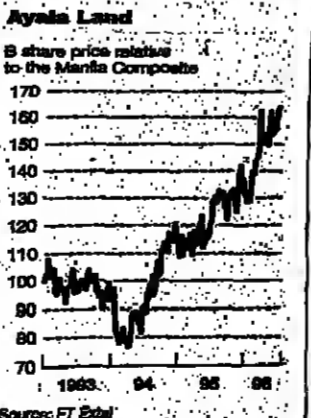
By Edward Luce in Manila

Ayala Corp, the Philippines' largest diversified holding company, saw net profits surge by 63 per cent for the first half of 1996, driven mainly by unexpectedly good results at its real estate subsidiary, Ayala Land.

Ayala Land, which is listed separately from its parent company, posted net profits of 2,540m pesos (US\$77m), up 52 per cent on the same period in 1995. Its shares, which are trading at a record p/e of 45 - more than double the Philippine composite average - closed flat last Friday at 68.50 pesos.

The property company, 70 per cent owned by Ayala Corp, said higher than expected sales at its middle income housing sites and pre-selling of space at its four uncompleted high-rise office towers in the business district had contributed to the impressive earnings. Ayala Corp's overall net profits were 3,450m pesos for the first half. "It's difficult to find fault with Ayala Land at the moment," said Mr Colbert Nocom, an analyst at ING Barings in Manila. "It is posting bumper profits from a diversified range of low and high-end real estate projects and has managed to keep its debt-equity ratio below 20 per cent."

At a market capitalisation of 185bn pesos, Ayala Land is the largest company on the PSE. Despite its high p/e ratio, it is trading at a discount of 25 per cent to its net asset value - considered a good measure of a property company's value. Results at Ayala Corp's other subsidiaries, including the Bank of the Philippine Islands (BPI), the country's third-largest bank which registered profits growth of 71 per cent to 1,550m pesos, were also impressive. The merger later this year of CityTrust Banking Corp and BPI, which posted first-half loan growth of 44 per cent, is expected to give BPI a pre-emptive hold over the growing consumer finance sector. Globe Telecom, a cellular and fixed land line telecoms joint venture with Singapore Telecom is expected to break even in 1996.



Source: FT Data

IN THE HIGH COURT OF JUSTICE, CHANCERY DIVISION, COMPANIES COURT, No. 003843 of 1996

Mr Registrar, Revenue

IN THE MATTER OF LUCAS INDUSTRIES PUBLIC LIMITED COMPANY and IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that by an Order dated the 12th day of July 1996 made in the above matters the Court has directed a Meeting to be convened of the holders of the Ordinary Shares (hereinafter called "Ordinary Shares") in Lucas Industries plc (hereinafter called the "Company") for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and the holders of the Scheme Shares (as defined in the said Scheme of Arrangement) and that such meeting will be held at the New Connaught Rooms, Great Queen Street, London WC2B 5DA on Tuesday, 13th August, 1996 at 11.00 a.m., at which place and time all holders of Ordinary Shares are requested to attend.

A copy of the said Scheme of Arrangement and a copy of the Statement required to be furnished pursuant to Section 426 of the above-mentioned Act are incorporated in the document of which this Notice forms part. The holders of Ordinary Shares may vote in person at the said Meeting or they may appoint another person, whether a member of the Company or not, as their Proxy to attend and vote in their stead.

In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.

It is requested that forms appointing Proxies be lodged with Lloyds Bank Registrars, 54 Park Square, Kings Norton, Birmingham B30 3EP not less than 48 hours before the time appointed for the said Meeting, but if forms are not so lodged they may be handed to the Chairman of the said Meeting.

By the said Order the Court has appointed Sir Brian Pearce or failing him, George Simpson or failing him John Grant to act as Chairman of the said Meeting and has directed the Chairman to report the results thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated 19th July, 1996

ALLAN & OVERY One New Change London EC4M 9QQ Solicitors for the Company

Notice of the above-mentioned Meeting was posted to shareholders of Lucas Industries plc on 19th July, 1996. Copies of the said Scheme of Arrangement, form of proxy and Explanatory Statement required to be furnished pursuant to Section 426 of the Companies Act 1985 can be obtained from the registered office of the Company.

LUCAS INDUSTRIES PUBLIC LIMITED COMPANY NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of Lucas Industries plc will be held at the New Connaught Rooms, Great Queen Street, London WC2B 5DA on Tuesday, 13th August, 1996 at 11.00 a.m. (or as soon thereafter as the Meeting of the holders of the Company's Ordinary Shares convened by direction of the High Court of Justice for the same date and place shall have concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

THAT:

(A) The Transaction Agreement dated as of 31st May, 1996 between LucasVaryty plc, the Company, Varsity Corporation and Varsity Combination Corporation relating to the proposed merger of the Company and Varsity Corporation (with such modifications or amendments as the Directors of the Company shall determine) be and is hereby approved;

(B) The Scheme of Arrangement dated 19th July, 1996 (the "Scheme") proposed to be made between the Company and the holders of the Scheme Shares (as defined in the Scheme), a part of which has been produced to this Meeting and signed for the purpose of identification by the Chairman of the Meeting, be approved;

(C) For the purpose of giving effect to the Scheme:

(1) the capital of the Company be reduced by the cancellation of the Scheme Shares and forthwith and contingently upon such reduction of capital making effect, the capital of the Company be increased to its former amount by the creation of such number of new ordinary shares of 25p each as shall be equal to the number of Scheme Shares cancelled as aforesaid;

(2) the reserve arising upon the said reduction of capital be applied in paying up in full at par the ordinary shares of 25p each created pursuant to sub-paragraph (C)(1) of this resolution, which shall be allotted and issued, credited as fully paid up to LucasVaryty plc and/or its nominees;

(D) The Directors be and are authorised for the purposes of Section 80 of the Companies Act 1985 to effect the allotment of the shares created pursuant to this Resolution provided that (i) the maximum nominal amount of shares which may be allotted hereunder is £27,500,000; (ii) this authority shall expire on 31st December, 1996; and (iii) this authority shall be without prejudice to any authority under the said Section 80 previously granted and in force on the date on which this Resolution is passed; and

(E) The Articles of Association of the Company shall be amended by:

(1) the adoption and inclusion of the following new Article as Article 61B: "61B

(A) In this Article, references to the "Scheme" are to the scheme of arrangement of the Company dated 19th July, 1996 under section 425 of the Companies Act 1985, between the Company and the holders of the Scheme Shares and expressions defined in the Scheme shall have the same meaning in this Article.

(B) If any Ordinary Shares in the Company are allotted and issued to any person (a "new member") other than LucasVaryty plc ("LucasVaryty") or any nominee of LucasVaryty on or after the date of the meeting convened pursuant to an Order of the High Court of Justice in England and Wales they will, if allotted and issued prior to the close of business on the date two business days before the hearing of the petition to sanction the Scheme, be allotted and issued subject to the terms of the Scheme and shall be Scheme Shares for the purposes thereof and the new member, and any subsequent holder other than LucasVaryty or any nominee of LucasVaryty, shall be bound by the terms of the Scheme and, if allotted and issued after that time, be immediately transferred to LucasVaryty in consideration of and conditional on the issue to the new member of one ordinary share in LucasVaryty for each Ordinary Share in the Company so transferred. The LucasVaryty ordinary shares issued to the new member will be credited as fully paid and will rank equally in all respects with all LucasVaryty ordinary shares in issue at the time (other than as regards any dividend or other distribution payable by reference to a record date preceding the date of allotment and issue or the close of business on the date two business days before the hearing of the petition to sanction the Scheme, whichever is later) and be subject to the Articles of Association of LucasVaryty.

(C) The number of shares to be issued to the new member under Article 61B(B) may be adjusted by the directors in such manner as the auditors may determine on any reorganisation of the share capital of the Company or of LucasVaryty effected after the close of business on the Effective Date, provided always that any fractions of an ordinary share in LucasVaryty shall be disregarded and shall be aggregated and sold for the benefit of LucasVaryty.

(D) To give effect to any such transfer required by Article 61B(B), the Company may appoint any person to execute a form of transfer on behalf of the new member in favour of LucasVaryty and to agree for and on behalf of the new member to become a member of LucasVaryty; and

(2) the deletion of Article 89 and the renumbering of Articles 90 to 169 (inclusive) as Articles 89 to 168 (inclusive) and all cross references to those Articles shall be amended accordingly.

BY ORDER OF THE BOARD G. M. Norris, Secretary Registered office: Stratford Road Solihull B39 4LA England 19th July, 1996

Note: Any member entitled to attend and vote at this Meeting is entitled to appoint another person (whether a member or not) as a Proxy to attend and vote on his behalf. To be effective, the Form of Proxy must be deposited with Lloyds Bank Registrars, 54 Park Square, Kings Norton, Birmingham B30 3EP, not later than 11.05 a.m. on 11th August, 1996.

Notice of the above-mentioned Meeting was posted to shareholders of Lucas Industries plc on 19th July, 1996.

NOTICE TO HOLDERS OF Atari Corporation 5 1/4% Convertible Subordinated Debentures Due April 23, 2002 CUSIP No. 046515 AA0

Pursuant to the Amended and Restated Agreement and Plan of Reorganization, dated as of April 3, 1996 (the "Reorganization Agreement") between Atari Corporation, a Nevada corporation ("Atari"), and JTS Storage, Inc., a Delaware corporation ("JTS"), Atari will be merged with and into JTS (the "Merger") on or about July 30, 1996 upon approval of the respective stockholders of Atari and JTS at meetings to be held on July 30, 1996. Pursuant to the Reorganization Agreement, each outstanding share of Atari Common Stock, \$0.01 par value, will be converted into one share of JTS Common Stock, \$1.0001 par value.

Upon consummation of the Merger, JTS will enter into a supplemental indenture (the "Supplemental Indenture") with Bankers Trust Company (the "Trustee") under and pursuant to the terms of the indenture governing the Debentures (the "Indenture") to provide that JTS will assume all of the covenants, agreements and obligations of Atari under the Indenture. There will be no change to the Conversion Price under the Indenture as a result of the Merger.

This Notice is being sent to you pursuant to Section 10.14 of the Indenture. NO ACTION IS NECESSARY OR REQUIRED ON YOUR PART WITH RESPECT TO THE MERGER OR THE SUPPLEMENTAL INDENTURE. If you have any questions regarding this Notice, please contact Sam Tammal at Atari, telephone (408) 323-0900.

ATARI CORPORATION By: Bankers Trust Company Dated: July 22, 1996

This notice is issued in compliance with the requirements of the London Stock Exchange Limited (the "London Stock Exchange") and appears as a matter of record only. It does not constitute an offer or invitation to any person to subscribe for or purchase any shares. Application has been made to the London Stock Exchange for the issue and to be issued ordinary shares of LucasVaryty plc to be admitted to the Official List. It is expected that dealings in the ordinary shares will commence on 6th September, 1996.

LucasVaryty plc

(Incorporated in England under the Companies Act 1985, with registered number 3207774)

Introduction to the Official List in connection with the Merger of Lucas Industries plc and Varsity Corporation Sponsored by Goldman Sachs International and Lazard Brothers & Co., Limited

Share capital of LucasVaryty plc upon the Merger becoming effective

Table with 4 columns: Authorized, Issued and fully paid, Nominal, Number. Row 1: £500,000,000, 2,000,000,000. Row 2: £356,643,710, 1,426,582,839.

It was announced on 31st May, 1996, that the boards of Lucas Industries plc and Varsity Corporation had unanimously agreed the terms of a proposed merger of the two companies under a new holding company to be called LucasVaryty plc. The merger is to be effected by a scheme of arrangement under section 425 of the Companies Act 1985 in the United Kingdom and by means of a statutory merger in the United States.

Listing particulars have been published and are available from the Company Announcements Office, the London Stock Exchange, Old Broad Street, London EC2M 1HP, the registered office of LucasVaryty plc, 46 Park Street, London W1Y 4DJ, the offices of Allan & Overy, One New Change, London EC4M 9QQ and the offices of Freshfields, 65 Fleet Street, London EC4Y 1HS, on any business day during normal business hours from 10.00 a.m. until the Merger becomes effective.

Lucas Industries plc Varsity Corporation Goldman Sachs International Lazard Brothers & Co., Limited Cazenove & Co.

22nd July, 1996

ING BANK
*Sau Parcours en Marchés
 Emergentes e de Capitais*
ING BARINGS

FINANCIAL TIMES
MARKETS
THIS WEEK

ING BANK
*At Home in Emerging
 and Capital Markets*
ING BARINGS

Global Investor / Philip Coggan

How to pick a market winner

Stock picking systems have an easily understood appeal. If one can find a set of hard and fast rules which select market winners, a lot of the anxiety can be removed from the investment process.

Efficient market theory suggests that such strategies should not work over the long run. If stocks are high-yielding, for example, that suggests the investor is incurring higher-than-average risk. But a number of studies have shown that anomalies do persist over a long period of time.

Mr Jim O'Shaughnessy, a US fund manager, conducted research showing that a portfolio of 50 stocks with the lowest price-to-sales ratios beat the market by three percentage points per annum over a 40 year period. Other strategies,

such as selecting the stocks which have risen fastest over the previous 12 months, have also beaten the index.

But the trouble is that such systems, while producing brilliant results when back-tested over previous years, seem to break down when hard cash is invested. The O'Shaughnessy theory, which finds the ten highest-yielding stocks in the Dow and selects the five with the lowest share prices, has performed well in the US.

It also seemed to work in the UK (when applied to the FT 30) but the introduction of a personal equity plan based on the system seems to have coincided with one of the method's worst performance periods.

Better luck will be needed for a new investment trust based on Thornton Fund Management based on a theory of

earnings momentum. It looks for small company shares where brokers have been upgrading earnings forecasts over the past three months.

Thornton did a study dating back to 1988 using stocks in the Hoare Gossett Smaller Companies Index, and brokers' earnings forecasts supplied by IBES. The stocks covered were divided into sections: those where forecasts rose; those where they fell; and those where they were unchanged.

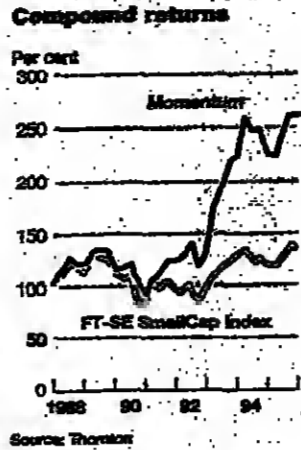
The risers and fallers were further divided in half, based on the size of the change. A "rolling portfolio" was then constructed, consisting of four sub-sets. Each quarter a new sub-set would be created and then held for a year. Gratifyingly, the companies which showed the biggest increase in earnings forecasts produced

the best returns.

Even allowing for annual costs of 7 per cent, the "highest upgrades" portfolio returned 12.5 per cent per annum, well ahead of the 4.3 per cent recorded by the FT-SE Small Cap (excluding investment trusts) index.

Why should this discrepancy occur? Several US studies have focused on the success of stock-picking methods which use earnings momentum. Research by Professor Jeremy Siegel at the Wharton School in Philadelphia found that even investors who bought the "Nifty Fifty" - a set of stocks in the 1970s which were bid up to stratospheric price-earnings ratios on the basis of their continued earnings growth - outperformed the index over a 25 year period.

Focusing on smaller compa-



Total return in local currency to 18/7/96

| | US | Japan | % change over period | US | Japan |
|-----------------|------|-------|----------------------|-------|-------|
| Cash | 0.10 | 0.01 | 0.05 | 0.07 | 0.18 |
| Week | 0.45 | 0.04 | 0.25 | 0.25 | 0.80 |
| Month | 5.81 | 0.88 | 4.83 | 5.77 | 11.50 |
| Year | | | | | |
| Bonds 3-5 year | | | | | |
| Week | 0.73 | -0.28 | 0.75 | 0.04 | -0.09 |
| Month | 1.27 | -0.48 | 1.05 | 1.25 | 1.07 |
| Year | 4.34 | 1.22 | 10.86 | 11.47 | 21.89 |
| Bonds 7-10 year | | | | | |
| Week | 1.34 | -0.41 | 1.05 | 1.05 | -0.75 |
| Month | 1.97 | -0.72 | 1.98 | 1.98 | 1.19 |
| Year | 4.54 | 1.46 | 10.86 | 14.01 | 21.89 |
| Equities | | | | | |
| Week | -0.1 | -1.6 | -2.5 | -3.1 | -1.8 |
| Month | -2.7 | -3.8 | -1.0 | -4.1 | -7.0 |
| Year | 17.8 | 23.7 | 14.5 | 10.1 | 18.7 |

Source: Cash & Bonds - Lehman Brothers. Equities - FT-SE (UK) and Nikkei (Japan). The FT-SE and Nikkei indices are partly owned by FT-SE International Ltd. and the Nikkei is owned by Nikkei Inc. and Standard & Poor's.

The system is effectively a way of picking growth stocks; absolutely no valuation criteria are being applied. It may have been worked well in the 1990s when recovery, or value-based, systems have produced poor results. But there is a cycle between value and growth, and it may soon turn against the latter.

The system may also tell us something about the health of the small company sector. The

number of stocks selected depends on the number of forecasts being upgraded.

A graph of the number of stocks selected fits remarkably well with the Small-Cap index. Or at least it did until recently, when upgrades have dropped but the Small-Cap index has kept rising, suggesting the UK stock market is due for a fall.

A footnote for those of a statistical bent who will be musing about last week's tur-

bulence in the US stock market. According to stock market historian Mr David Schwartz, in 1929, 43 trading days elapsed between the peak in the US market and the Wall Street crash; in 1967, there were 38 trading days between the peak and Black Monday. The recent high in the S&P 500 occurred on May 24; today will be the 33rd trading day since then. Thursday will be the 42nd. Enjoy the week.

COMPANY RESULTS DUE

Quarterly earnings expected to fall at IBM

Quarterly earnings at International Business Machines were expected to decline on the back of falling mainframe prices in the US, declining profits in Europe and unfavourable exchange rates, industry analysts said.

IBM is expected to report on Thursday that second-quarter earnings per share fell to \$2.49 against \$2.97 a year earlier, according to a consensus estimate compiled by IBES from a survey of 16 analysts.

Most Wall Street analysts have cut their quarterly and full-year earnings estimates for IBM over the past month, citing rising competition in the

US which has pressured margins, and the impact of the stronger dollar in translating overseas sales.

"The tone is going to be very cautious," said Mr David Takata analyst at Gruntal, who has cut his estimate to \$2.39 a share from \$2.74 previously.

He warned that analysts believe earnings could come in even below their revised forecasts after disappointing quarterly earnings from Motorola and Texas Instruments and a profit warning from Hewlett-Packard.

AFX News, New York

■ Exxon is expected to report earnings per share in the second quarter of \$1.32 today, compared with \$1.50 year earlier, with improved refining margins and higher crude oil prices offset by weakness in its petrochemical business, analysts said.

The consensus estimate was provided by the IBES tracking

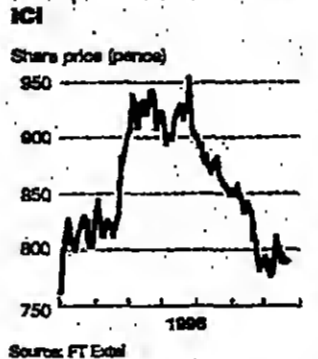
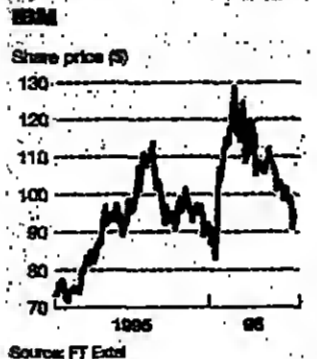
firm in a survey of 18 analysts, whose earnings per share forecasts ranged from \$1.18-\$1.40.

AFX News, New York

■ PolyGram: The world's largest music group with U2 and Elton John among its roster of artists, saw its shares fall in the run-up to last week's news that it had failed in its bid to acquire MGM, the Hollywood movie studio.

The announcement of its first-half results on Wednesday is unlikely to revive them. Analysts expect a sluggish set of figures with little change, or even a slight decline, over the net income of \$1.27bn (\$1.61bn) reported for the first six months of 1996. However, PolyGram's performance is expected to improve in the second half with SBC Warburg forecasting a 12 per cent increase in net income to \$1.63bn for the whole of 1996.

■ Philips Electronics is expected



responsible for most of this slide. But it has been exacerbated by continuing problems in the US explosives division.

The only area expected to show some improvement, thanks to acquisitions and a traditional seasonal upturn, is paints. Analysts warn of further downgrades on full-year forecasts of \$90m, unless the group can convince on the feasibility of its current cost-cutting drive.

■ SmithKline Beecham: The UK's second largest pharmaceutical company, should report first-half pre-tax profits of close to \$750m (\$1.1bn) tomorrow. That would be an improvement of almost 14 per cent on the result for the first six months of 1995 for the company's continuing businesses. Sales should rise to \$3.8bn (\$3.36bn) thanks largely to growth on the company's prescription drugs.

Earnings per share should

rise 10 per cent to more than 18p, with a dividend of 8p (6.4p).

■ Reuters: The UK information and transaction systems group, is expected to report interim pre-tax profits of about \$35m (\$51m) on Wednesday. The company, which last week launched a new generation of information systems, the 3000 series, could surprise the market with either a share buy-back or a special dividend.

Returning cash to shareholders has been promised by Reuters at some stage this year. However, the company has indicated that the detailed and complex discussions it is undertaking with the Inland Revenue over the structure of the move, is likely to take some time.

■ British Telecommunications is expected on Thursday to post first-quarter pre-tax profits in the range \$85m to \$90m

(\$1.4bn) after taking out the cost of redundancies.

The figures are essentially flat compared with last year. BT has some flexibility in how it presents its numbers but the regulator's insistence on a decision on his fair trading proposals by August 2 makes a reference to the Monopolies and Mergers Commission more likely and the group is unlikely to give hostages to fortune.

■ Lex Service: The UK car dealer and contract hire group, is expected to increase interim pre-tax profits to \$85.8m (\$11m) compared with \$23m when it reports its half-year results on Friday. The figures will benefit from the contribution of Multi-part, the commercial vehicle parts distribution business the group bought for \$26m last July.

Analysts will watch closely to see what progress the group has made on rationalising its car dealership network.

This announcement appears as a matter of record only.

ICA

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ING BARINGS

May 1996

Bad timing for Commonwealth float

Fortune doesn't always favour the brave. The A\$4bn (\$3.1bn) sale of the Australian federal government's remaining 50.4 per cent stake in Commonwealth Bank was billed as the country's largest share float. Unhappily, it hit the market in a week when the All-Ordinaries Index - taking its lead in part from Wall Street - sank to a seven-month low.

Under the circumstances, both the government and its advisers made the best of a difficult job. The issue's partly-paid structure, which required investors to pay a portion in July and the remainder in November, coupled with the entitlement to full cash dividends in the meantime, was always designed to attract yield-conscious investors.

So it proved. Strong interest from foreign-based yield funds and small local investors helped ensure oversubscription, and offset a more muted response from domestic institutions. Even so, in the wake of a falling market, the shares were

priced at a wary A\$10.45 - with A\$6 due at the outset, and the remainder in six months.

The caution proved justified. On Monday, the same partly-paid shares (officially called "installment receipts") did their best to rally beyond the A\$6 issue price. But progress was short-lived and they ended the day unchanged. On Tuesday, they sank to as little as A\$5.74 at one stage, leaving some disgruntled investors. Only on Friday did a decent premium emerge with the receipts jumping 13 cents, to A\$6.14. Even so, this was well below some brokers' initial hopes, pitched at about A\$6.30.

The rollercoaster ride might have prompted other potential issuers to rethink listing plans. Not National Mutual, the country's second largest life insurer. The company set October 5 as the date for launching its shares on the stock market, even as Wall Street's woes were at their worst.

The October listing date will ensure that National Mutual

becomes the first of Australia large life offices to complete a "demutualisation" scheme - though Colonial Mutual is ploughing down the same track and even the AMP Society is considering the option - with its market value estimated at about A\$2bn.

Mr Geoff Tomlinson, National Mutual's managing director, justified this apparent boldness by the structure of the offer, saying "I don't see us as a standard IPO". Just over half the shares will be taken by France's Axa which injected capital into National Mutual last year, and the rest will be allocated to policyholders. But if they do not actively seek this share alternative, the stock to which they were entitled will be pooled and sold to outside investors, and they will get cash instead.

With this process taking almost three months - policyholder letters start to go out immediately - a degree of market gyrations was almost certain to be encountered. More-

over, heading for a sale at this stage saves a possible clash with Colonial Mutual in early-1997, and any risk of colliding with the A\$5bn partial privatisation of Telstra, the telecommunications group owned by the federal government.

Indeed, while Australia looks set to have a fairly active new issues market, many of the likely issues are modest in size. The exception will be Optus Communications, the country's second significant telecoms group, currently owned by a mixture of local institutions, Australia's Mayne Nickless, the UK's Cable & Wireless, and BellSouth of the US.

Optus is forecast to attract a valuation of A\$4bn-plus, but the number of shares on offer is likely to be constrained. Mayne Nickless will sell its 20 per cent stake, although a large part of this will be offered first to existing Mayne shareholders. Most of the other shareholders appear reluctant to give up large blocks of stock.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International Limited and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

| REGIONAL MARKETS | FRIDAY JULY 19 1996 | | | | | THURSDAY JULY 18 1996 | | | | | DOLLAR INDEX | | | | |
|----------------------|---------------------|------|---------|--------|--------|-----------------------|------|--------|---------|---------|--------------|--------|--------|---------|--------|
| | US | %chg | Pound | Yen | DM | Local | % | US | Local | % | | | | | |
| Australia (80) | 196.50 | 2.9 | 157.30 | 158.70 | 151.20 | 194.30 | -0.2 | 191.90 | 194.04 | 191.82 | 148.70 | 161.22 | 212.18 | 175.72 | 176.20 |
| Austria (24) | 175.69 | 2.5 | 171.38 | 122.59 | 136.43 | 153.38 | -0.2 | 175.18 | 175.18 | 175.18 | 138.58 | 168.22 | 168.22 | 168.11 | 167.15 |
| Belgium (27) | 210.61 | 0.8 | 202.07 | 144.30 | 163.22 | 159.44 | 5.0 | 4.18 | 203.34 | 203.80 | 143.83 | 162.35 | 161.81 | 216.81 | 180.06 |
| Brazil (8) | 181.67 | 91.7 | 174.05 | 124.29 | 140.59 | 336.94 | 36.5 | 1.93 | 178.52 | 180.33 | 121.29 | 136.80 | 337.17 | 185.12 | 180.70 |
| Canada (122) | 103.86 | 6.9 | 102.00 | 102.78 | 102.78 | 102.78 | 7.1 | 2.28 | 102.89 | 102.89 | 102.89 | 102.89 | 102.89 | 102.89 | 102.89 |
| Denmark (32) | 309.84 | 7.1 | 298.36 | 211.84 | 238.38 | 241.49 | 10.9 | 1.90 | 305.10 | 305.10 | 181.29 | 148.19 | 182.03 | 181.29 | 181.29 |
| France (23) | 182.18 | 2.7 | 184.12 | 131.48 | 148.72 | 182.38 | 7.0 | 2.74 | 181.09 | 181.09 | 210.27 | 237.45 | 239.39 | 308.34 | 278.89 |
| Germany (93) | 180.89 | 6.2 | 182.80 | 130.40 | 147.49 | 150.73 | 6.5 | 3.20 | 191.17 | 183.38 | 191.35 | 148.25 | 151.58 | 171.75 | 180.87 |
| Italy (29) | 173.10 | 5.9 | 165.84 | 112.42 | 132.95 | 133.85 | 4.2 | 3.47 | 175.42 | 175.42 | 140.98 | 182.02 | 182.02 | 182.02 | 182.02 |
| Hong Kong (28) | 461.72 | 8.8 | 404.08 | 288.28 | 328.25 | 418.92 | 8.8 | 1.85 | 415.82 | 415.82 | 118.08 | 133.29 | 133.29 | 133.29 | 133.29 |
| Indonesia (27) | 305.97 | - | 197.32 | 140.91 | 158.38 | 294.48 | - | 1.85 | 295.05 | 295.05 | 140.98 | 182.02 | 182.02 | 182.02 | 182.02 |
| Ireland (16) | 274.89 | 7.8 | 265.43 | 188.12 | 212.78 | 241.26 | 7.4 | 3.96 | 271.91 | 280.82 | 168.92 | 210.67 | 228.62 | 200.82 | 205.81 |
| Japan (41) | 150.84 | -2.8 | 144.32 | 103.08 | 116.57 | 103.08 | 2.0 | 0.74 | 150.73 | 144.56 | 83.73 | 80.76 | 88.96 | 84.83 | 87.22 |
| Malaysia (107) | 557.81 | 15.0 | 534.40 | 381.89 | 431.85 | 584.85 | 12.7 | 1.88 | 538.41 | 533.73 | 108.55 | 108.55 | 108.55 | 108.55 | 108.55 |
| Mexico (18) | 1167.00 | 12.7 | 1115.04 | 798.42 | 803.08 | 972.45 | 11.3 | 1.37 | 1181.16 | 1115.64 | 797.82 | 800.91 | 977.18 | 1025.01 | 945.77 |
| Netherlands (18) | 285.83 | 6.3 | 277.82 | 198.40 | 224.41 | 220.92 | 10.7 | 3.26 | 287.48 | 275.76 | 187.32 | 222.85 | 219.55 | 259.89 | 248.78 |
| New Zealand (19) | 262.85 | 1.3 | 262.85 | 65.18 | 82.41 | 81.77 | -4.5 | 4.39 | 261.94 | 237.43 | 79.82 | 54.31 | 60.99 | 84.71 | 75.94 |
| Norway (25) | 250.79 | 8.4 | 240.27 | 171.58 | 194.38 | 217.89 | 8.9 | 2.08 | 247.94 | 247.94 | 118.29 | 118.29 | 118.29 | 118.29 | 118.29 |
| Philippines (22) | 271.45 | - | 202.58 | 144.85 | 163.82 | 276.01 | - | 0.95 | 205.58 | 201.01 | 143.08 | 162.28 | 216.04 | 222.24 | 239.33 |
| Singapore (46) | 400.45 | -1.7 | 388.85 | 278.98 | 300.80 | 391.55 | -1.5 | 1.45 | 395.32 | 378.21 | 271.62 | 305.58 | 335.81 | 405.21 | 387.94 |
| South Africa (44) | 351.27 | -8.9 | 388.89 | 260.23 | 271.52 | 337.09 | 8.9 | 2.15 | 346.29 | 332.17 | 237.92 | 286.55 | 302.31 | 437.78 | 338.16 |
| Spain (37) | 178.04 | 7.8 | 170.57 | 121.81 | 137.77 | 161.41 | 1.8 | 2.44 | 175.42 | 189.33 | 121.82 | 138.02 | 160.80 | 183.85 | 145.18 |
| Sweden (48) | 345.64 | 10.8 | 331.14 | 236.48 | 297.48 | 388.28 | 10.5 | 2.82 | 341.07 | 327.16 | 224.34 | 254.50 | 304.00 | 343.59 | 343.59 |
| Switzerland (37) | 246.08 | 4.8 | 236.77 | 188.57 | 190.84 | 165.00 | 10.2 | 1.80 | 244.73 | 234.78 | 183.17 | 199.82 | 235.74 | 280.13 | 285.89 |
| Thailand (49) | 185.75 | - | 152.12 | 108.83 | 122.87 | 158.94 | - | 2.12 | 158.61 | 152.14 | 108.86 | 123.01 | 151.58 | 191.24 | 202.75 |
| United Kingdom (203) | 202.71 | 0.9 | 222.04 | 189.21 | 193.08 | 228.23 | 1.5 | 4.30 | 231.23 | 221.89 | 158.94 | 179.40 | 221.86 | 237.48 | 216.52 |
| USA (827) | 299.85 | 3.4 | 248.85 | 177.73 | 201.09 | 250.85 | 3.4 | 2.27 | 291.98 | 281.18 | 179.91 | 203.07 | 247.47 | 224.83 | 234.80 |
| Americas (708) | 287.91 | 3.9 | 227.82 | 162.77 | 184.10 | 203.20 | 3.0 | 2.26 | 296.54 | 289.78 | 164.55 | 185.77 | 201.42 | 252.43 | 206.57 |
| Europe (708) | 208.19 | 4.1 | 200.41 | 145.12 | 181.85 | 180.57 | 8.3 | 3.13 | 208.24 | 198.35 | 148.84 | 181.34 | 179.90 | 213.30 | 194.29 |
| Nordic (138) | 369.88 | 8.7 | 287.20 | 205.17 | 232.07 | 256.79 | 9.9 | 2.40 | 306.41 | 284.52 | 203.05 | 229.87 | 254.88 | 303.01 | 261.13 |
| Pacific Basin (88) | 163.39 | -1.1 | 165.54 | 111.79 | 128.44 | 114.04 | -2.4 | 1.20 | 163.05 | 158.47 | 112.04 | 123.46 | 114.18 | 177.90 | 182.14 |
| Europe Pacific (138) | 192.36 | 1.3 | 172.71 | 124.77 | 141.12 | 168.23 | 4.2 | 2.12 | 181.89 | 174.28 | 124.83 | 138.12 | 150.57 | 169.61 | 174.78 |
| North America (747) | 283.71 | 3.8 | 243.05 | 173.55 | 188.53 | 233.95 | 3.8 | | | | | | | | |

MARKETS: This Week

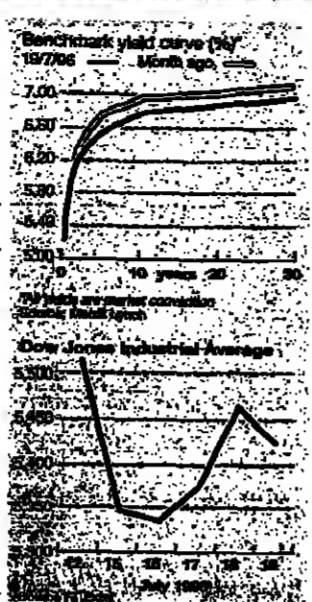
The stock and bond markets are likely to stay on edge this week as investors concentrate on earnings and interest rates.

So far, the quarterly results season has been dominated by hi-tech stocks such as Texas Instruments, which was disappointing, and Intel, which was the reverse.

Chemical groups at the commodity end of the business, such as Dow and Union Carbide, will probably show earnings declines.

In the bond market, attention will be focused again on Mr Greenspan, who gives his Humphrey-Hawkins testimony to Congress on Tuesday following last week's appearance before the Senate banking committee.

Thursday brings a flurry of statistics from the real economy: durable orders for



Benchmark yield curve (1979=100) 1979/96 - 1978/96

June, expected to be flat after the previous month's rise, and sales of existing homes, expected to be down.

Tuesday and Wednesday will see large Treasury auctions. If the rash of cancelled IPOs from hi-tech companies is anything to go by, this is not the best time to be offering new stock to the markets.

The equity market, finally, will wonder whether the recent correction - 6 per cent from April's peak so far, or some 350 points - has run its course. No one is counting on it.

UK investors may be hoping for a quiet week after the turmoil prompted by last week's volatility on Wall Street. The shock waves briefly through the bottom of its recent 3,600-8,600 range but by the end of the week, order had been restored.

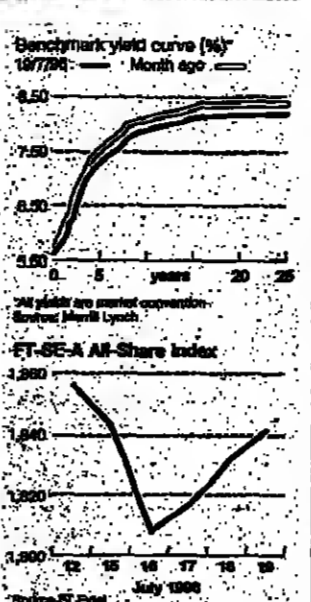
The disagreement over the last base rate cut between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, was revealed last week.

As a result, this week's batch of economic statistics will be studied closely to see if the chancellor can justify a further reduction; weakness in today's CBI industrial trends survey or in Friday's second-quarter gross domestic product numbers would strengthen the chancellor's hand.

The governor, and indeed the chancellor, will be more concerned about the June retail sales figures, to be published on Wednesday.

Trading statements from the quoted half street retailers indicate that consumers are spending again; the official numbers have not been quite so buoyant; this could be the case when they come into line.

Equity investors, who proved to be easily distracted by Euro 96 and Wimbledon earlier in the summer, have their eyes diverted towards the Olympics.



Benchmark yield curve (1979=100) 1979/96 - 1978/96

revives a bit, with figures from such leading companies as BT, ICI, Lloyds Abbey Life, Lloyds TSB, Reuters, SmithKline Beecham and Thorn EMI.

A host of companies also hold their annual general meetings.

Some startling news may be needed from the boardrooms to boost trading volumes, as the holiday season gets into full swing and dealers, who proved to be easily distracted by Euro 96 and Wimbledon earlier in the summer, have their eyes diverted towards the Olympics.

With the D-Mark on the rise and the German economy faltering, interest rate cuts are in the air again. Thursday's meeting of the Bundesbank council, the last before the summer break, could well see a return to variable rate tenders for securities repurchase (repo) deals. Thus the way could be set for further declines in the 3.3 per cent rate, which has scope to go down to 3 per cent.

Expectations of such a move, with the repo possibly easing initially to around 3.25 per cent, were nourished last week by the worsening of the Ifo economic sentiment institute's business climate index in June and a decline in the (still high) growth rate of M3.

Thus, economists concluded that repo cuts were on the way. Inflation remains low, which is likely to be confirmed this week by provisional July inflation figures, so there are few worries on that score.

Not long ago, said J.F. Morgan, "everything pointed to a boring summer for Bundesbank watchers". But the Ifo data and slower M3 and credit growth have changed the picture. So has the renewed rise in the D-Mark, which appreciated by about 1 per cent in a week in strong trading.

The market, which fell by 4.5 per cent in 1995, has risen by 20 per cent in local currency terms, and by about 15.5 per cent in dollar terms, since the start of the year, prompting some analysts to adopt a defensive view. They argue that the market can only rise more slowly until the end of the year

as hopes fade for significant further interest rate cuts. However, strong demand from non-residents is expected for the 45 per cent of Cimpor, the country's largest cement producer, which is scheduled to be privatised in October.

Its shares have traded at record highs recently on speculation over where the government would fix the price for the sell-off. Heavy trade is also expected in the state controlled Banco de Fomento e Exterior in the run up to its privatisation later in the summer.

Lehman Brothers said in a note last week that although Portugal would be better classified as a mature European economy, rather than as an emerging market, its stockmarket has outperformed emerging market benchmark indices since the start of the year.

It says that the listing of privatised companies has

enhanced valuation and growth prospects of the market as a whole, while at the same time diversified the index and increased the free float.

In the longer term, Lehman expects Lisbon to benefit as higher domestic and foreign participation increases market liquidity and trading volumes. It says the privatisation programme has encouraged Portuguese institutions to increase equity weightings, but from a very low base. This trend will accelerate as more companies are privatised and listed.

With concerns of an immediate rise in interest rates calmed by Mr Alan Greenspan, US Federal Reserve chairman, on Thursday, the Hong Kong stock market is expected to be firmer this week, writes Louise Lucas.

Moreover, with the benchmark Hang Seng index at 10,845.30, brokers reckon there will be room for bargain hunters to move in.

However, Wall Street and the US long bond yield will continue to provide cues for trading in the colony, and further bouts of volatility are also being forecast, especially towards the end of the month when futures contracts expire.

The market is on a price earnings multiple of around 12.5 times this year's earnings and around 11 times next year's earnings, relatively cheap compared with last year's 14.2 times.

Investors are still wary of China related shares, and last week Shanghai Petrochemical - one of the biggest Hong Kong-listed China companies, or H-shares - scrapped plans to issue new scrip as its share price dived.

Strike fears boost aluminium

After being dragged up and down, along with the other London Metal Exchange base metals contracts, by the volatile copper market, the aluminium contract could be setting out on its own this week.

The possibility of a strike at Alcan of Canada's 272,000 tonnes-a-year Kitimat smelter after the expiry of the current labour contract at midnight tomorrow was already having an effect on the price of the white metal at the end of last week.

A \$12 a tonne rise on Friday left the three-month delivery position up \$12 on the week at \$1,485.50 a tonne.

Alcan had sought to call in a mediator to resolve the deadlock dispute but was prevented from doing so by union

leaders, who did not want mediation to prevent them from acting on their strike mandate, which comes into operation on Wednesday.

The union said the company had made no contract offer on key issues such as wages, cost-of-living adjustments, pension provisions, early retirement benefits or vacation allowances, Reuters news agency reported on Friday.

Brazilian weather will be the main focus of interest in the coffee market for the next day or two. Local weather services have been forecasting that a polar air mass will bring frost in some coffee regions this morning.

"Temperatures are expected to fall in north Parana and south-west São Paulo, state to

between zero and 4°C, with the chance of frosts mainly in low-lying areas," Mr Marcos Massari, of private forecasting service Somar Meteorologia, told Reuters on Friday.

However, Weather Services, the US private forecaster doubted that any significant damage would result.

Events this week include the publication today of the International Primary Aluminum Institute's production data for June.

Also today, in Washington, the US Department of Agriculture will issue its latest Agricultural Situation and Outlook summary.

In London on Thursday, the International Grains Council publishes the July edition of its international market report.

AMSTERDAM

The market is set for a heavy results week, with first-half figures due to be released from both Philips and Polygram, writes John Pitt.

Polygram comes out first, on the 24th, and analysts have pencilled in expectations of profits of around F1250m, which is a slight decrease on the 1995 period.

The company's problems are directly related to the fall in music profits, but analysts feel that this has already been factored into the recent share price movement and do not foresee anything dramatic happening to the price as a consequence.

Philips will suffer because of the problems being experienced in the semiconductor industry worldwide. However, the company is much more

exposed to the consumer electronics market than it is to semiconductors, and the slow-down in demand throughout Europe is bound to hit the results. The shares have been languishing during the first quarter, against a strong overall market.

LISBON

Last month's successful privatisation of a 22 per cent stake in Portugal Telecom has stimulated foreign demand for Portuguese equities beyond local analysts' expectations.

The market, which fell by 4.5 per cent in 1995, has risen by 20 per cent in local currency terms, and by about 15.5 per cent in dollar terms, since the start of the year, prompting some analysts to adopt a defensive view. They argue that the market can only rise more slowly until the end of the year

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Bundesbank speculation set to dominate the mood

Speculation that the Bundesbank might deliver a long-awaited cut in the German securities repurchase (repo) rate at its meeting on Thursday, its last before the summer recess, is likely to dominate the mood on the foreign exchanges this week.

Some traders expect the Bundesbank to cut the repo rate by between 10 and 20 basis points from 3.30 per cent to help revive the economy.

German cost of living figures towards the end of this week are expected to show inflationary pressures remaining subdued this month.

Along with data on Friday which showed M3 money supply eased slightly last month, these figures should strengthen the case for a monetary easing.

A cut in the repo rate is likely to provide some support for the dollar, which ended on

a weak note last week despite reassuring comments on inflation by Mr Alan Greenspan, the Federal Reserve chairman.

The US currency slipped amid speculation of an imminent rise in Japanese interest rates but expectations of a German rate cut might provide higher yielding European currencies such as the Italian lira and the Spanish peseta with greater support.

They lost out last week

against the D-Mark as the dollar weakened. But a cut in German interest rates, which could signal a decline in the D-Mark, might restore some stability to them.

Italian consumer price inflation, due today, could bolster expectations of a cut in Italian interest rates.

In the UK, a slew of economic data - including the Confederation of British Industry's quarterly survey and

retail sales figures for June - will provide the latest snapshot of economic activity.

The pound weakened last week following confirmation that the chancellor cut interest rates last month against the advice of the Bank of England and as the dollar fell.

Sterling may weaken further if investors suspect Mr Clarke will push for another rate cut in an attempt to deliver faster growth ahead of the election.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, July 19, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Table with columns for currency codes (e.g., E, S, D, Y, C, F, L, P, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z) and their corresponding exchange rates against major currencies like the US Dollar, British Pound, and Japanese Yen.

CROSS BORDER M&A DEALS

Table listing cross-border M&A deals with columns for Bidder/Investor, Target, Sector, Value, and Comment. Examples include News Corp (Australia) targeting New World Communications (US) in the Broadcasting sector for \$2.5bn.

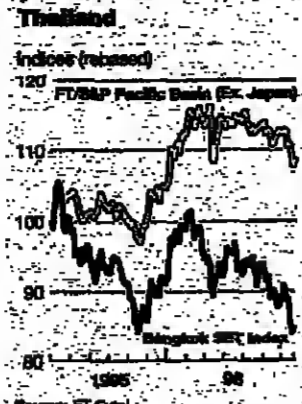
Worldinvest Income Fund advertisement. Includes a notice of dividend No. 39, a declaration of dividend No. 39, and a declaration of dividend No. 7. The text describes the fund's performance and provides contact information for BankAmerica Trust Company (Jersey) Limited.

MARKETS: This Week

EMERGING MARKETS BY WILLIAM POWERS

Bangkok beaten but unbowed

Do not be surprised if second-quarter earnings figures are released late in Thailand this year...



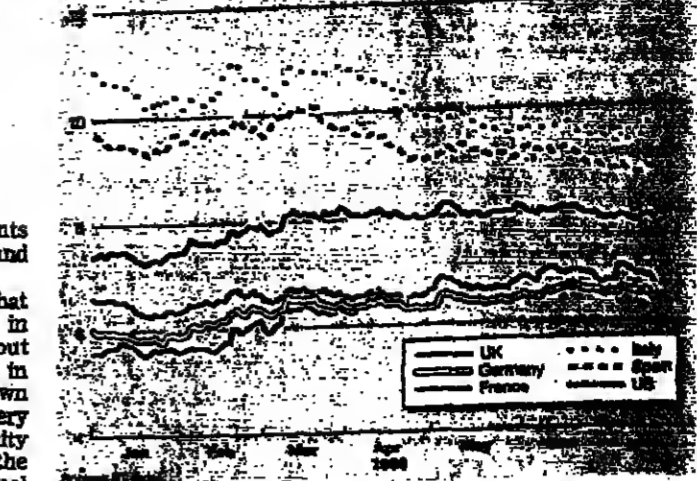
The Thai stock market has been beaten like a dog with bad news this year...

my's ability to move up the technological ladder to fend off competition from low-cost exporters like China and Indonesia...

Volatility gives greater impetus to hedge funds

Estimating the size of the hedge fund industry is no easy task, and the figures show wide divergences...

10-year bond yields



which inflates overall asset figures," he said. He puts the total assets under management for hedge funds at closer to \$100bn-\$170bn.

Bank of America invades China

Bank of America is launching itself into the equity markets, having chalked up its first underwriting transaction...

year. He reckons the bank will make a net profit out of its role as lead global co-ordinator...

Table with columns: Index, 1978/86, Week on week movement, Month on month movement, Year to date movement. Rows include World (431), Latin America, Europe, Asia, etc.

NEW INTERNATIONAL BOND ISSUES

Table listing bond issues with columns: Issuer, Amount, Maturity, Coupon, Price, Yield, Launch, Book-Runner.

This information appears as a matter of record only. The Securities described below have already been offered for sale.



Offering of 10,466,851 Ordinary Bearer Shares of DM 5 per Share

Issue Price: DM 156 per Share

Joint Global Coordinators: Dresdner Bank - Kleinwort Benson, CS First Boston

International Underwriting Group: Dresdner Bank - Kleinwort Benson, Bayerische Landesbank Girozentrale, etc.

US Underwriting Group: CS First Boston, Kleinwort Benson North America Inc., Morgan Stanley & Co.

The Buckingham Research Group Incorporated, Deutsche Morgan Grenfell/C.J. Lawrence Inc., Goldman, Sachs & Co., etc.

Paine Webber Incorporated, The Robinson-Humphrey Company Inc., Smith Barney Inc.

ABN AMRO Funds: Societe d'Investissement a Capital Variable. The Annual General Meeting of Shareholders of ABN AMRO Funds (SICAV) will be held on Friday, August 16, 1996...

ABN AMRO Interest Growth Fund: Societe d'Investissement a Capital Variable. The Annual General Meeting of Shareholders of ABN AMRO Interest Growth Fund (SICAV) will be held on Friday, August 16, 1996...

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SIGMA SECURITIES S.A. - MEMBER OF THE ATHENS STOCK EXCHANGE. ATHENS STOCK EXCHANGE July 12th - July 19th 1996. Table with columns: ASE INDEX, EPS GROWTH, P/E, etc.

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WORLD STOCK MARKETS

Table of world stock markets including Europe (Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, Switzerland, UK), Africa (South Africa), Asia (Australia, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Singapore, Taiwan, Thailand, Philippines, Indonesia, Malaysia, Singapore, Thailand, Vietnam), and Oceania (New Zealand).

Rockwell supplies virtually every European car manufacturer with automotive components and systems. Rockwell logo.

invades China

INDICES

Table of stock indices for various countries including Australia, Canada, France, Germany, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Singapore, Taiwan, Thailand, Philippines, Indonesia, and the UK.

US INDICES

Table of US stock indices including Dow Jones, S & P 500, NASDAQ, and various sector indices.

ASIAN STOCKS

Table of Asian stock markets including Australia, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Singapore, Taiwan, Thailand, Philippines, Indonesia, and the UK.

INDEX FUTURES

Table of index futures for various markets including Australia, Canada, France, Germany, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Singapore, Taiwan, Thailand, Philippines, Indonesia, and the UK.

Open Set Price Change High Low Est. vol. Open Int.

Table of open set prices and changes for various markets.

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Small print text at the bottom of the page containing legal disclaimers and publication information.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Country, Closing mid-point, Change on day, Bid/offer spread, Days' mid, One month, Three months, One year, Bank of Eng. index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Country, Closing mid-point, Change on day, Bid/offer spread, Days' mid, One month, Three months, One year, JP Morgan index.

WORLD INTEREST RATES

Table with columns: Money Rates, July 19, One month, Three months, Six months, One year, Lomb. inter, De rate, Repo rate.

CROSS RATES AND DERIVATIVES

Table with columns: Exchange Cross Rates, Jul 19, Bid, Offer, DM, SF, Yen, etc.

FT GOLD MINES INDEX

Table with columns: Gold Mines Index, Jul 19, Bid, Offer, etc.

EURO CURRENCY INTEREST RATES

Table with columns: Euro Currency Interest Rates, July 19, Short term, 7 days, One month, Three months, Six months, One year.

D-MARK FUTURES (MM) DM 125,000 per DM

Table with columns: Sep, Dec, Mar, Open, Bid price, Change, High, Low, Est'd, Open int.

UK INTEREST RATES

Table with columns: UK Interest Rates, London Money Rates, UK closing bank base lending rate.

THREE MONTH EURO DOLLAR (MM) \$1m points of 100%

Table with columns: Sep, Dec, Mar, Open, Bid price, Change, High, Low, Est. vol, Open int.

SWISS FRANK FUTURES (MM) SF 125,000 per SF

Table with columns: Sep, Dec, Mar, Open, Bid price, Change, High, Low, Est'd, Open int.

UK MONEY RATES

Table with columns: UK Money Rates, UK closing bank base lending rate.

US TREASURY BILL FUTURES (MM) \$1m per 100%

Table with columns: Sep, Dec, Mar, Open, Bid price, Change, High, Low, Est. vol, Open int.

STERLING FUTURES (MM) £2,500 per £

Table with columns: Sep, Dec, Mar, Open, Bid price, Change, High, Low, Est'd, Open int.

UK GILTS PRICES

Table with columns: UK Gilts Prices, Short term, Medium term, Long term.

RIGHTS OFFERS

Table with columns: Rights Offers, Issue, Amount paid, Latest price, etc.

PHILADELPHIA SEA 2/5 OPTIONS (\$1,250 cents per pound)

Table with columns: Sep, Dec, Mar, Open, Bid price, Change, High, Low, Est'd, Open int.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Bank of England Treasury Bill Tender, Bids on offer, Total applications, etc.

BASE LENDING RATES

Table with columns: Base Lending Rates, Various banks and their rates.

BANK RETURN

Table with columns: Bank Return, Banking Department, Assets, Liabilities.

OTHER FIXED INTEREST

Table with columns: Other Fixed Interest, Various fixed interest rates.

STOCK INDICES

Table with columns: Stock Indices, FT-SE 100, FT-SE 250, etc.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda funds including Bermuda Bond, Bermuda Equity, and Bermuda Income funds with columns for Name, Price, and % Change.

BERMUDA (REGULATED)**

Table listing regulated Bermuda funds including Bermuda Bond, Bermuda Equity, and Bermuda Income funds with columns for Name, Price, and % Change.

GUERNSEY (SIB RECOGNISED)

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Table listing various international funds including International Bond, International Equity, and International Income funds with columns for Name, Price, and % Change.

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Offshore Funds

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ISLE OF MAN (SIB RECOGNISED)

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Main table listing various offshore funds and insurance products, including columns for fund names, providers, and financial details.

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OTHER OFFSHORE FUNDS

Table listing other offshore funds with columns for fund name, code, and price.

Table listing offshore insurances and other funds with columns for fund name, code, and price.

China

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock name, price, and change. Includes sections for 'NEW YORK STOCK EXCHANGE PRICES', 'AMERICAN STOCK EXCHANGE PRICES', and 'NATIONAL STOCK EXCHANGE PRICES'.

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JANCO LTD

Continued on next page

JANCO 1500

4 pm close July 20

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page' and 'T'.

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'U', 'X-Y-Z', and 'T'.

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'T' and 'X-Y-Z'.

NASDAQ NATIONAL MARKET

Table of NASDAQ stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'L', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Table of NASDAQ stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'L', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Table of NASDAQ stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'L', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

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Advertisement for 'Belgium' featuring the text 'Have your FT hand delivered in Belgium.' and 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.' Includes contact information and a list of cities in the Greater Antwerp area.

FT GUIDE TO THE WEEK

MONDAY 22

India presents budget

P Chidambaram, the finance minister of India, presents the first budget of the United Front government, which was formed after the April-May elections. He must strike a tricky balance between the government's pledges to raise spending on agriculture, social services and infrastructure and the need to contain India's fiscal deficit - which last year was 5.9 per cent of GDP. Foreign investors will watch the budget closely for its reformist intent and fiscal prudence. A poor reception could undermine a clutch of imminent issues of global depository receipts from big Indian companies.

EU farm ministers meet

EU agriculture ministers begin what is expected to be at least a three-day meeting in Brussels. The Irish presidency will present a compromise proposal on a pricing package for agricultural products, and another attempt will be made to agree on reform of the fruit and vegetable markets. Ministers are thought likely to approve a reduction in the proportion of set-aside land to 5 per cent next year, which would increase cereal production by 8m tonnes. Plans will also be presented by Franz Fischler, the agriculture commissioner, to restore stability to the beef market after the "mad cow" crisis.

Major to reshuffle ministers

John Major, the UK prime minister, puts the finishing touches to a modest reshuffle of his ministerial team. Downing Street says there will not be a cabinet reshuffle, although Mr Major will make changes in the middle and lower ranks of government. These have been partly forced upon him: Tim Eggar, the energy minister, and Steve Norris, the transport minister, have asked to stand down. Those tipped for promotion include David Willetts, the public service minister, and Angela Browning, the agriculture minister.

Santa claws his way back

The 33rd World Santa Claus Congress in Copenhagen will gather together more than 120 Santas from 27 nations (to July 28). A schism between the Danes - who claim that Greenland, a Danish dependency, is the true home of Father Christmas - and the Finns - who say that he is from Lapland - will be healed. The Finnish Santa is being welcomed back in recognition of the fact that no nation has sole rights to Santa.

Nato exercise in Hungary

Servicemen from the US, Canada and 15 European countries, including nine ex-communist nations, assemble in Hungary for the first large-scale air exercise by Nato on former Warsaw Pact territory. Operating from Hungary's Szolnok airbase, they will practise using aircraft for peace support operations,



Horseplay: the summer Olympic Games continue amid fears of doping scandals in the US city of Atlanta, Georgia. The athletics events start on Friday

including humanitarian missions and search and rescue (to July 26).

Turkey to boost revenue

Turkey's new Islamist-dominated coalition government is to announce a big revenue-raising package to plug the treasury's widening budget deficit. A 50 per cent pay increase for civil servants was announced by Necmettin Erbakan, the Islamist prime minister from the ruling Refah party. Tansu Ciller, the leader of the centre-right True Path party and the coalition's junior partner, has promised to find money - rather than print it - to pay for the rise. Most of the money is expected to come from government property sales rather than spending cuts. Economists say the budget deficit will rise by half to about 10 per cent of GDP this year and push inflation to 100 per cent.

Iraq compensation studied

The United Nations compensation commission for victims of the 1990 Iraqi invasion of Kuwait meets in Geneva to process more claims (to July 24). The commission has waded through 2.6m claims totalling \$200bn and already made awards of \$3.7bn to more than 2m individuals for death, injury or financial loss. The recent oil-for-food deal between the UN and Iraq has raised hopes that the commission may finally have funds to pay out. This week the commission is studying 64,000 small property claims worth \$320m.

WTO reviews piracy accord

World Trade Organisation members meet in Geneva to review implementation of the WTO agreement on intellectual property protection covering patents, copyrights and trademarks (to July 26). On the agenda are two US complaints already going through WTO dispute settlement

procedures that Pakistan and India are not respecting the so-called "mailbox" provisions of the agreement. These require countries which do not yet have patent protection for pharmaceuticals and agricultural chemicals to provide a "mailbox" where patent applications can be filed.

Sailing

Commodore's Cup, Cowes, England (to Aug 1).

FT Survey

Private Medical Insurance (UK only).

Public holidays

Afghanistan, Guam, Netherlands Antilles, Swaziland.

TUESDAY 23

Chinese missions to Taipei

Taipei and Beijing are not letting bitter political rivalries get in the way of business. A Chinese delegation of port officials will arrive in Taiwan for private talks with industry leaders and government officials. They will be following a separate delegation of finance officials, which arrives on Monday. Such visits are unprecedented. The two sides will exchange views on securities-related matters and the establishment of direct cross-straits shipping - banned since 1949.

Prague vote of confidence

The Czech parliament begins debating a vote of confidence in the minority government of Vaclav Klaus, the prime minister. This should end the instability since the general election in June. Mr Klaus's centre-right, three-party coalition

government has 99 seats and the opposition 101 in the 200-seat chamber. However, it is thought unlikely that the main opposition party, the Social Democrats, will vote against Mr Klaus.

Asean forum on security

A regional forum of Asean - Indonesia, Malaysia, Singapore, Thailand, Brunei, Vietnam and Philippines - meets in Jakarta to discuss regional security. The US, China, the EU and Russia will also be represented.

Islamic conference in Cairo

Al Azhar University of Cairo, the oldest Islamic university in the world - it was established in the 10th century - holds its annual Islamic conference with the ministry of religious affairs. The conference celebrates the birth of the prophet Mohammed and will be attended by Islamic scholars, muslim clerics and politicians. "The reaction of the heavenly religion to religious extremism" - terrorism in God's name - will be one of the main subjects.

Public holidays

Egypt, Libya.

WEDNESDAY 24

Ballot for UK shadow cabinet

British Labour party MPs vote in the last shadow cabinet elections before next

year's general election. Tony Blair, the Labour leader, has said he does not want to change his team. Although Harriet Harman, the shadow health secretary, may lose her shadow cabinet status because of her decision to send her son to a grammar school, Mr Blair is expected to keep her in her post. These elections will bring the curtain down on the parliamentary year. MPs leave for their three-month summer holidays on Thursday. They return on October 14.

Rao fights over fraud case

Unless successful in his appeal against the summons, P. V. Narasimha Rao, the former prime minister of India, is to appear in a Delhi court to answer charges in a fraud case. Mr Rao, who was issued the summons by a Delhi magistrate, is battling to remain leader of the Congress party after a London-based businessman alleged Mr Rao's complicity in duping him of \$100,000 (\$84,000) paid to win contracts in India. Mr Rao appealed against the summons last week, but hearings were adjourned. An alleged confidante of Mr Rao, Chandraswami, a self-styled "god man", is already facing trial in the case.

Belgrade in debt talks

A delegation from Serb-led Yugoslavia holds three days of talks with the London Club of commercial banks. This round is aimed at reaching an agreement for Belgrade to start paying its share, agreed at 36.5 per cent, of the total \$4.3bn (£2.75bn) owed by the former Yugoslav republics.

Public holidays

Fiji, Venezuela.

THURSDAY 25

Push for EU budget freeze

EU budget ministers meet in Brussels amid growing pressure to clamp down on public spending. France and Germany are expected to press for a freezing of the EU budget at 1996 levels - which would cut EU spending by about Ecu2bn (£1.64bn) to Ecu90bn.

Strike in Australia

Public servants in Australia are set to hold a 24-hour strike in protest at federal government cuts, which threaten to create thousands of redundancies in the public sector.

Cricket

First Test match, England v Pakistan, Lord's, London (to July 29).

Public holidays

Bhutan, Cook Islands, Costa Rica, Equatorial Guinea, Israel, Puerto Rico, Tunisia.

FRIDAY 26

Castro response expected

Fidel Castro, the president of Cuba, is expected to use Cuba's Moncada Day to deliver a state-of-the-union address. This is likely to give Cuba's response to the

application by Bill Clinton, the US president, of the latest US embargo legislation against the island. It will probably also review the economy and outline future strategies. The Moncada celebration marks the 43rd anniversary of the guerrilla attack led by Mr Castro against the Moncada army barracks in Santiago de Cuba. This was a prelude to the 1959 revolution.

US/Australia security talks

Regional security will be at the heart of talks in Sydney between the US and Australia (to July 27). Warren Christopher, the US secretary of state, General John Shalikashvili, the chairman of the chiefs of staff, and William Perry, the defence secretary, will lead the US delegation. Australia will be represented by John Howard, the new prime minister, and Alexander Downer, the foreign minister.

Horse racing

England's most prestigious mid-summer, middle-distance race, the King George VI and Queen Elizabeth Diamond Stakes, is run at Ascot racecourse, near London.

Public holidays

Cuba, Liberia, Maldives.

SATURDAY 27

Postal stoppage in UK

A 36-hour postal strike ends in the UK - following hot on the heels of another shutdown by London Underground on Thursday.

Public holidays

Belarus, Bosnia & Herzegovina, Iran, Maldives, Puerto Rico, Bahrain, Oman, Lebanon, United Arab Emirates (depends on sighting of the moon).

SUNDAY 28

Russia/Japan manoeuvres

A Japanese destroyer, Kurama, arriving in the Russian far-eastern port of Vladivostok on Friday, takes part in the first joint Russo-Japanese naval exercises (to July 30). It is the first friendly visit by a Japanese warship in 71 years. Kurama will participate in celebrations of the Russian navy's third century. The former Japanese Imperial Navy destroyed the Russian Baltic Fleet at the Battle of Tsushima in 1905, which was vital to its victory in the Russo-Japanese War and the first time - to the modern era - that an Asian power beat a European one.

Public holidays

Malaysia, Peru, Syria, Egypt, Kuwait, Morocco, Tunisia (depends on sighting of the moon).

Compiled by Simon Strong, Fax: (+44) (0)171 573 3194.

ECONOMIC DIARY

Other economic news

Tuesday: As the markets digest the implications of the recent downturn economic data from Germany, they will have fresh information this week about the state of Europe's economy.

French industrial figures for May will be watched closely: most economists expect them to show some growth.

And the Confederation of British Industry's survey could provide clues about the state of UK manufacturing. Although recent surveys have been downbeat, a British Chambers of Commerce report last week pointed to some upturn.

Wednesday: UK June retail sales data are expected to show further healthy growth.

Thursday: French consumer prices are expected to show a small monthly fall. German producer prices are also expected to be subdued, reflecting the weakness of activity.

Friday: Japanese consumer prices, by contrast, are expected to point to a slight annual rise in June, as opposed to the deflation recorded the previous month.

Preliminary UK second quarter GDP data is likely to point to continued steady growth.

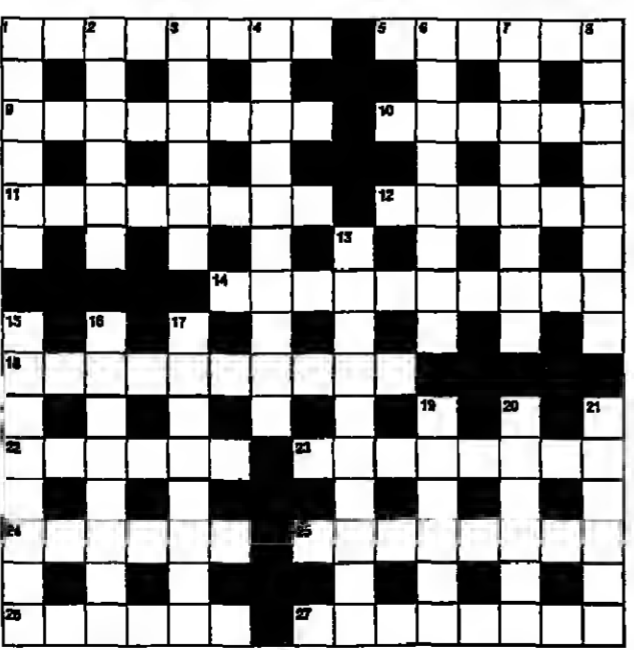
Statistics to be released this week

| Day Released | Country | Economic Statistic | Median Forecast | Previous Actual | Day Released | Country | Economic Statistic | Median Forecast | Previous Actual |
|--------------|------------------------------------|---------------------------------|-----------------|--------------------|------------------------------------|----------------------------------|--------------------|-----------------|-----------------|
| Mon | US | June Treasury budget | \$27bn | -\$53.3bn | Japan | June CPI national ex-possibles** | 0.2% | 0.2% | |
| July 22 | Canada | May wholesale trade† | 0.6% | -0.6% | Japan | June retail sales** | 0.1% | -1.0% | |
| Tues | US | Mitsubishi Index | - | - | UK | 2nd qtr gross dom prod prelim** | 0.6% | 0.4% | |
| July 23 | US | June export price index | - | 0.4% | UK | 2nd qtr gross dom prod prelim** | 2.0% | 1.9% | |
| US | June import price index | - | -0.5% | Canada | June industrial prod price index | 0.3% | 0.5% | | |
| US | Johnson Flatbook wk end July 20 | - | -0.2% | Canada | June raw materials price index | -1.6% | -0.9% | | |
| Japan | May coincident index | 20.0% | 25.0% | Canada | May fix-weight employee earnings** | 2.0% | 2.0% | | |
| Japan | May leading differential index | 66.7% | 55.6% | During the week... | | | | | |
| Japan | 3rd qtr BOJ qtrly economic report | - | n/a | Japan | July trade bal (1st 10 days) not† | - | ¥194bn | | |
| UK | July CBI qtrly industrial trends | - | n/a | Japan | June supermarket sales† | - | -0.2% | | |
| Canada | June leading indicator† | 0.5% | 0.6% | Japan | June department store sales† | - | 1.7% | | |
| Weds | UK | June retail sales** | 0.8% | -0.1% | Germany | June prod price ind pan-Germany† | 0.0% | 0.0% | |
| July 24 | UK | June retail sales** | 2.3% | 2.0% | Germany | June prod price ind pan-Germany† | -0.6% | -0.5% | |
| Canada | May int CS securities transactions | C\$2.0bn | C\$2.9bn | Germany | July Hesse cost of living† | - | 0.0% | | |
| Thurs | US | June durable orders | -0.2% | 3.4% | Germany | July Hesse cost of living† | - | 0.8% | |
| July 25 | US | June durable shipments | - | 1.9% | Germany | July Baden Wuert cost of living† | - | 0.1% | |
| US | June existing home sales | 4.2m | 4.26m | Germany | July Baden Wuert cost of living† | - | 1.1% | | |
| US | M1 week ended July 15 | -\$4.3bn | -\$13.8bn | Germany | July Nord Rhine Westphalia COL† | - | -0.0% | | |
| US | M2 week ended July 15 | -\$3.3bn | -\$2.2bn | Germany | July Nord Rhine Westphalia COL† | - | 1.3% | | |
| US | M3 week ended July 15 | -\$2.8bn | -\$13.8bn | Germany | July Bavaria cost of living† | - | 0.1% | | |
| UK | May global visible trade | -£1.3bn | -£1.3bn | Germany | July Bavaria cost of living† | - | 1.1% | | |
| UK | June ex-EU visible trade | -£800m | -£834m | Germany | July preliminary COL West† | 0.2% | 0.0% | | |
| Fri | Japan | July consumer price ind Tokyo** | 0.4% | -0.1% | Germany | July preliminary COL West† | 1.1% | 1.2% | |
| July 26 | Japan | July CPI Tokyo ex-possibles** | 0.2% | 0.2% | Germany | June import prices** | 0.8% | 0.7% | |
| Japan | June CPI national** | -0.1% | 0.3% | | | | | | |

*mth on mth, **yr on yr, †qtr on qtr, ‡secs adjust Statistics, courtesy MMS International

- ACROSS
- 1 Beetle badly damaged by one road (5)
 - 5 A battery-powered vehicle at sea (8)
 - 9 Plants need to be transplanted so I began (8)
 - 10 In the Republic of Ireland a politician's domain (6)
 - 11 Reveal record drop (8)
 - 12 Spotted speed maniac imprisoned (6)
 - 14 Grown-up Lawrence takes a long time to corrupt (10)
 - 16 Appear badly in need of an entertainer (10)
 - 22 Seed made about ten III (6)
 - 23 For about a month gamble with illness (8)
 - 24 First round piece fits inside very big chess (6)
 - 25 Wire back if having to complain (8)
 - 26 Talk about parking spot with companion (8)
 - 27 One picking up industrious hill-dwellers for dinner? (8)

- DOWN
- 1 After 50 I offer love and sexual desire (8)
 - 2 Magazine on archaeological examination is overseas (6)
 - 3 Blunder, putting "Cork, 1/2 mile" (6)
 - 4 Compositions are for harp so changed ends (10)
 - 6 Went angling this morning, admittedly very hungry (8)
 - 7 New railing collapsed under duck (8)
 - 8 They may be pressed to get things moving (8)
 - 13 Machinery moved into a wooded area (10)
 - 15 Need to work in ship producing shellfish (8)
 - 16 So let it be clever to be acquiescent (8)
 - 17 A doctor at JCI swims by the sea (8)
 - 19 Wine a new title, making some mad (8)
 - 20 Strip joint street (6)
 - 21 Joker Jasper starts terse broadcast (6)



MONDAY PRIZE CROSSWORD No.9,126 Set by GRIFFIN

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £25 Pelikan vouchers will be awarded. Solutions by Thursday August 1, marked Monday Crossword 9,126 on the envelope, to the Financial Times, 1 Southbank Bridge, London SE1 1HL. Solution on Monday August 5. Please allow 28 days for delivery of prizes.

Name: _____
Address: _____

Winners 9,114
A. Rogers, Bath
J. Camner, London SW14
M. Gardner, Kirk Michael, Isle of Man
A. Newman, Kingston upon Thames, Surrey
M. Robinson, Lichfield, Staffs
Lesley Ward, London W4



CHIRON CORPORATION
Notice to Holders of Bearer Securities
5% Per Cent Convertible Subordinated Debentures Due 2002 of Chiron Corporation

Holders of 5% Per Cent Convertible Subordinated Debentures (the "Debentures") Due 2002 of Chiron Corporation, a Delaware corporation (the "Company"), ("Bearer Securities" as defined in the Indenture dated as of May 21, 1987 between Cetus Corporation and Bankers Trust Company, Trustee (the "Trustee"), as amended by the First Supplemental Indenture dated as of December 12, 1991 among the Company, Cetus Corporation and the Trustee (the "Indenture") are hereby notified pursuant to Section 105 and Section 606 of the Indenture that the Indenture has been amended by the Second Supplemental Indenture dated as of March 25, 1996 among the Company, Cetus Oncology Corporation (formerly Cetus Corporation) and the Trustee (the "Second Supplemental Indenture").

The Second Supplemental Indenture revises the language of the Indenture to remove references to Cetus Corporation which merged with and into the Company and the Company succeeded to all of the rights and obligations of Cetus Corporation under the Indenture.

In addition, holders of Bearer Securities are hereby notified pursuant to Section 1205 of the Second Supplemental Indenture that the Board of Directors of the Company declared a 4-for-1 stock split effected in the form of a dividend on the Company's Common Stock to be distributed on August 2, 1996 to stockholders of record on July 19, 1996 (the "Record Date"). Stockholders will receive three additional shares of Chiron Common Stock for each share of Common Stock owned on the Record Date.

In accordance with Section 1204(1)(i) of the Second Supplemental Indenture, a dividend payable in Common Stock adjusts the Conversion Price (as defined in the Indenture) of the Debentures effective at the opening of business on the day following the Record Date. The Conversion Price in effect immediately prior to the declaration of the dividend was \$123.33 per share of Common Stock. As of the opening of business on July 22, 1996, the adjusted Conversion Price for the Debentures is \$30.83.

NO ACTION IS NECESSARY ON THE PART OF THE HOLDERS OF BEARER SECURITIES. Please contact any of the Paying Agents listed below if you have any questions.

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CH-8010 Zurich

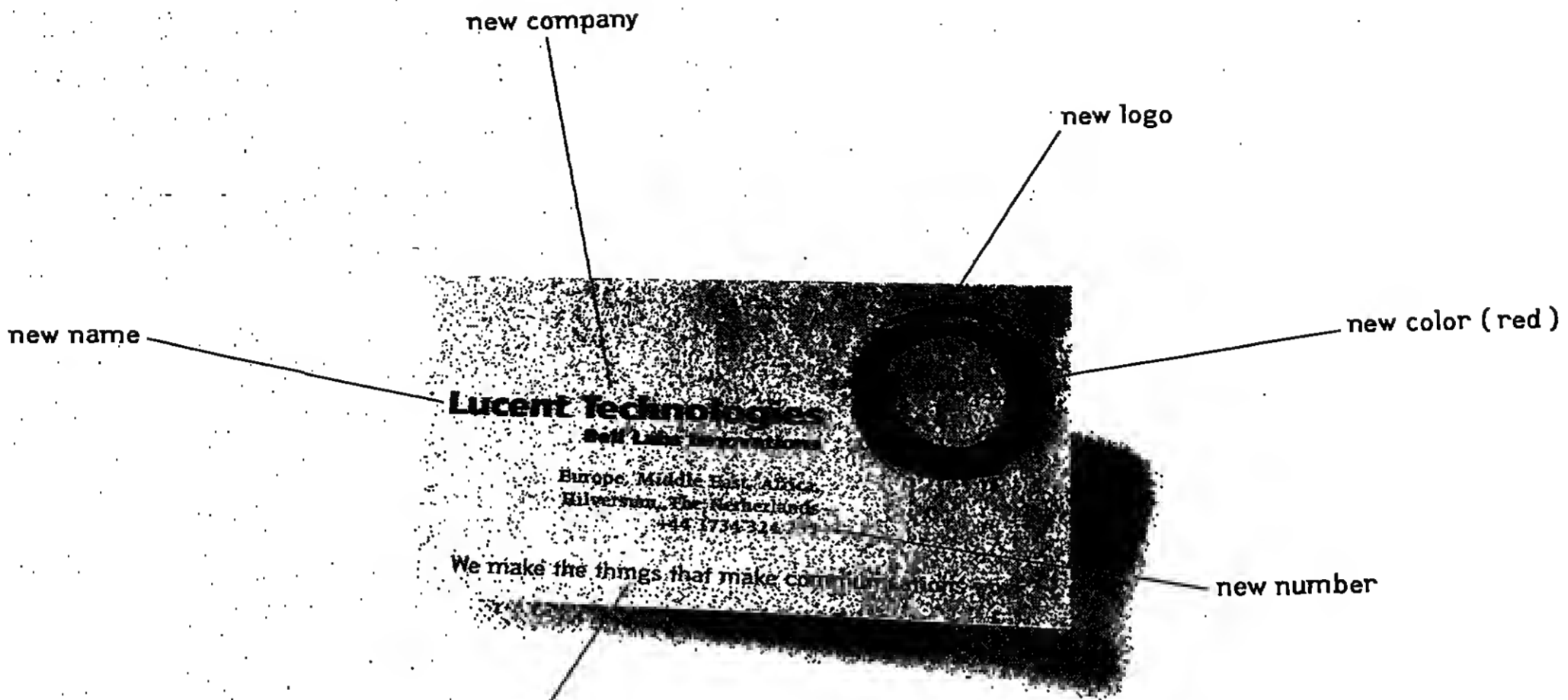
CHIRON CORPORATION
By: Morgan Guaranty Trust Company of New York
as Principal Paying Agent
Dated: July 22, 1996

JAVICO 150

JOTTER PAD

JAVICO LTD

UK - Australia security ties
Norse taking
Public holidays
SATURDAY
Postal stoppage in UK
Public holidays
SUNDAY
Japan maneuvers
Public holidays



(former systems and technology businesses of AT&T, plus Bell Labs, with 125 years experience in making the things that make communications work)

THIS WEEK

Talk of soap and dope shakes sumo

A seismic rage has shaken the plump guardians of sumo wrestling, Japan's holy national sport. The sumo establishment, said to be no less discreet or plain than, depending on your viewpoint, is furious at unwholy allegations, from the top ranks of sumo itself, of tax evasion, match rigging, bath-house hanky-panky, dope smoking and consorting with gangsters.

hangs from the gate of a Shinto shrine, to symbolise their status as servants of guardian spirits. The source of the furo is the Shukan Gendai, or Weekly Post, one of Japan's hundreds of colourful tabloid magazines, of varying unreliability but enduring entertainment value. For once, the Post appears to have firm information. Provocatively, the magazine chose the start of the Nagoya tournament, which ended yesterday, to reveal that sumo's most prestigious group of wrestlers, the Futagoyama stable, was being investigated by tax authorities for alleged under-reporting of income. Futagoyama fighters have won each of the past seven tournaments.

DAVE LINE Tokyo: the sacred wrestling establishment has been rocked to its ample foundations by weighty allegations of profanity, writes William Dawkins

His most damaging claim, vigorously denied by the Japan Sumo Association, the sport's governing body, is that match rigging is common. Ohmaru accused 29 of the 40 wrestlers in the top division of cheating: buying and selling match results to avoid personal demotion. Ohmaru also detailed a startlingly im-moralistic lifestyle among the acolytes. For example, to relax after being thumped by their trainers, wrestlers were said to repair to "soap lands", to wallow in hot baths with young female assistants; paid to execute a particularly thorough wash. One wrestler was said to smoke marijuana: shocking even among non-wrestlers in Japan, and again denied by the JSA.

Same hospital, both of complications from pneumonia. The pair had planned a press conference, three weeks later, to publicise their claims, and Ohmaru had received anonymous death threats. "The Post speculated on a mafioso "tip-sealing exercise" but the police are adamant: there is no sense for suspicion. Whatever the truth, Ohmaru's claims lived on after his death, in the form of a book, issued the following month. The JSA hit back with suits for criminal libel against publishers of both book and magazine. But the book, Match Rigging, published by Rokussaiha, has now sold 120,000 copies and the Post has continued to explore alleged sumo corruption.

Sumo veterans know that a little discreet fixing has been going on for years, though it has never been the cause of such bitterness until now. Andy Adams, editor of the magazine Sumo World, believes that *gaocho* - match fixing - has been around since the early 17th century, when professional sumo began. "Traditionally, the sumo establishment's attitude is that *gaocho* is OK so long as it doesn't get too blatant, so long as it is confined to people at the bottom of the [sport]," he says. The usual trick is to fix the final bout of a tournament. Wrestlers must complete 15 bouts per tournament. If they fail to win a majority, they risk demotion. That brings a cut in salary and the fringe benefits that can account for 90 per cent of a wrestler's income.

on retirement to buy one of the 105 shares in the JSA, each worth about ¥500m, according to Adams. Only JSA shareholders can run a stable, receive an income from the association and a slice of wrestlers' winnings. Occasionally, the JSA does crack down on *gaocho*, as it did in the 1970s when it annulled two bogus victories by one wrestler, who had to retire as a result. Adams reckons that rigged matches are as frequent as they were 20 years ago. But this is the first time a retired senior fighter has challenged the system. If match rigging is not new to sumo, neither is a robust attitude to paying tax. Wrestlers receive much of their income in cash. A top-ranker can expect to receive ¥200,000 or more simply for allowing his supporters' club - typically composed of senior businessmen or politicians - to take him out to dinner. Fatuous may even more for the privilege of having their photographs taken with the champion of the tournament. Like so much of Japanese life, sumo has two levels: an ancient ritual on top of a business as worldly as any other.

Big ideas that bridge the gulf

Hormoz Sabet believes in the long-term project, writes Raymond Snoddy

American-Iranian businessman Hormoz Sabet may be a busy man but he always puts aside at least an hour a day to read the newspapers. Many of the projects that have made him a multi-millionaire have been stimulated by something that Sabet has read in papers such as the Financial Times, the Wall Street Journal, the New York Times or numerous trade publications. Seven years ago, he read about a fibre-optic cable being laid between the US and Europe and remembered someone once telling him that fibre optics would have a revolutionary impact on the future of communications. He wondered whether anyone had ever tried to lay a fibre-optic telecommunications cable to the Middle East.

return on an investment of several million dollars. The main funders included Nynex, the US telecommunications company now merging with Bell Atlantic, Dallah Al Baraka Group, the Saudi banking group, and the Marubeni Corporation of Japan. Sabet has already moved on to other projects. "I see myself as a person of vision. I want to be a creator," he says. His latest interests include the application of modern communications technology to medical diagnosis, particularly for remote communities in the Middle East. Telemedicine uses links such as FLAG and techniques such as teleconferencing to transmit detailed medical diagnostic data from remote regions to doctors in the main international centres. Doing the same for education is another enthusiasm, as is creating a new Middle East and North Africa fund to try to persuade "high net wealth" friends and organisations to invest a small percentage of their assets in developing the infrastructure of the region. "What we specialise in is product and project development for the area where we have expertise - the Middle East and North Africa, parts of India, Pakistan and Turkey," says Sabet who will be 60 next month. His father was a carpenter and truck driver in Iran but when the family came to the US in 1941 it survived in New York by buying and cleaning second-hand clothes and exporting them to Iran. It was the start of a conglomerate which eventually employed 10,000 people in Iran in a wide range of manufacturing activities. Gulf Associates set up Iran's first commercial television stations and introduced soft drinks



'The Good Lord must be telling me something,' says Hormoz Sabet

and desalination plants to the country. Sabet and his family were abroad when the 1979 revolution broke - he believes fortunately, since other Baha'i businessmen did not survive the Islamic revolution. Loans in America backed by personal guarantees and intended to be serviced by money from Iran had to be paid off - leaving the family with only a couple of million dollars. Around 80 deals later Sabet estimates Gulf Associates, the Sabet family's private company, is now worth between \$40m and \$30m. As a Baha'i he prefers not to invest in defence industries, alcohol or gambling but sees no conflict

between making money and encouraging worthwhile projects. The best way he believes of lessening world conflicts is to use the fact that people always have "a receptive ear" to making money and that is something that transcends nationality. And he has lawyers on permanent retainer seeing whether there is any way of regaining, or winning compensation for, the family assets seized in Iran which he believes are now worth \$1bn. "If not me then my sons. If not my sons then my grandsons or granddaughters," says Sabet. As a man who admires patience and believes in long-term projects, he is prepared to wait.

PEOPLE

Levin's place in the Warner legend remains secure

When his takeover of Turner Broadcasting is complete, Time Warner chief Gerald Levin will go down as the only player at the table who never blinked, writes Christopher Parkes in Los Angeles. The more Levin was told by newspapers that US regulatory barriers were poised to chew up the deal, the more stolidly he insisted it would go through. The more he heard that US West, his cable television partner, was going to block the merger, the less he listened. A US West lawsuit has now been reduced to an organisational side-issue which Levin hasn't time to deal with - not since last week's approval in principle for the TBS purchase.

Levin is a living, breathing denial of the showbusiness saw that it takes charisma, if not pizzazz, to run an entertainment company. He is a quiet, occasionally tongue-tied lawyer with that most lawyerly of qualities: a killer instinct. He showed it in late 1995 when he fired Michael Fuchs, one of his closest lieutenants, only six months after installing him as head of Warner's music business. If, as some say, the flouncy style of the showbiz individual has no place in today's media corporations, then Ted Turner, founder of TBS, may be advised to seek a niche within the new organisation where eccentricity might not be noticed. That such crevices exist is one of

the criticisms tossed at Levin. Time Warner is no seamless empire illuminated by the springings of creative and corporate synergies. Its structural weakness was underscored by the tenacity of US West, a relative pipe-sneak, which felt no qualms about taking on its partner. However busy Levin may be sewing up his big deal, eventually he will have to reach some accommodation with this bothersome associate, which happens to own 25.5 per cent of one of his most important entertainment divisions. Before that, Levin has to close the TBS deal, absorb the newcomer and complete the same job with Time Inc and Warner. Observers remember how Hollywood howled (and how the group's shares rose) at the news of Fuchs' firing. That event allowed Levin to blend compatible studio and music operations into a one-stop shop with integrated management. If Levin can produce more of the same, Hollywood's howls will sound like music on Wall Street.

Beware, Renault's affable Schweitzer

No one is calling for his head, but the knives could be sharpening for Louis Schweitzer, amiable chief executive of Renault, writes Haig Simmonds in London. After seven days from hell last week, during which Renault's market share and equity price seemed to be in free fall, Schweitzer must hope the next week treats him more kindly. Renault said its share of the European new car market dropped to 9.7 per cent in the first half of 1996 from 10.6 per cent last year. That started a rout in the share price. Plunging share prices are not good PR for France's privatisation programme, and Renault's performance is by far the most leaden of any such stock. All that is unlikely to fluster Schweitzer, whose humanity and apparent modesty belie what is usually said and written of the products of France's grandes écoles. He argues that matters will come right for Renault as more versions of the new Mégane range come on

the market and other key cars are refreshed. But the arbore Schweitzer, a great nephew of the famous doctor and philanthropist, should take care. Such estimable attributes do not necessarily win friends in the cut-throat motor business, as the ex-Over boss and another affable thinker, showed.

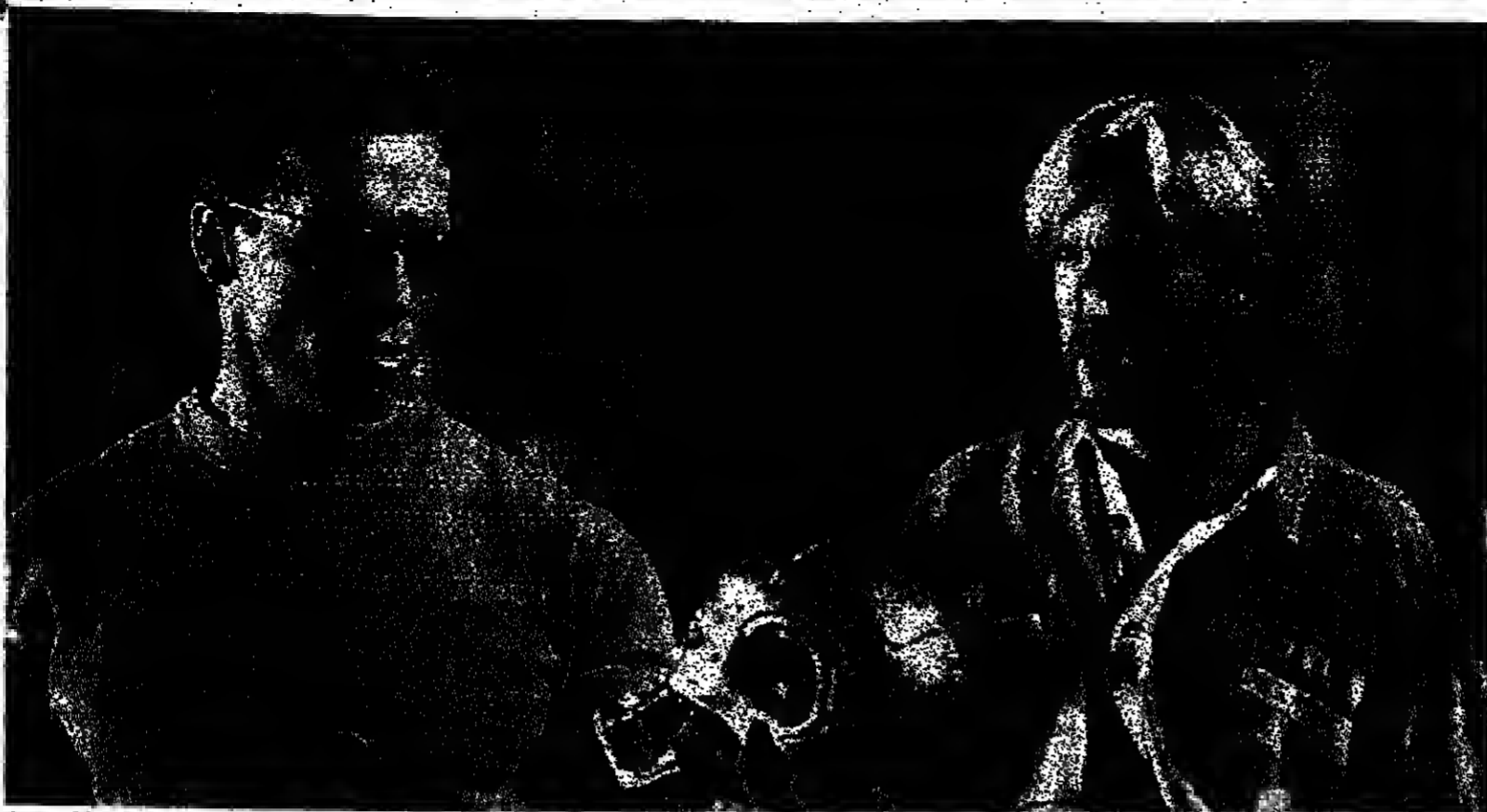
Campbell alters the Courtaulds formula

Gordon Campbell, the new chief executive at Courtaulds, is as different from his predecessor, Sipko Huismans, as can be imagined, writes Jenny Leesby in London. But they share one thing: both grew up operational managers within the UK chemicals group. Campbell is a chemical engineer who joined Courtaulds in 1968 from university. He is affable, open and strikingly ordinary, with a knack for finding neat, sensible solutions to practical difficulties. Campbell also finds detail absorbing, in absolute contrast to Huismans, a visionary of the passionate kind, intent on big ideas and the grand scheme. Huismans' legacy at Courtaulds is Tence, a wonderfibre made from wood pulp, which analysts suggest might be as important as cotton by 2020. The technology behind Tence had languished for years before Huismans hyped it upon it and made it his own. However, Tence is now the only business within Courtaulds with big growth potential. The way ahead lies in getting the best from the rest. The group's largest businesses are acrylic and viscose fibres. In these it is a world leader, but both fibres are past their heyday and beset with overcapacity. Courtaulds also specialises in industrial coatings and packaging. Here, growth will come through regional expansion. If there is a weakness that has been left unaddressed by this change of style, it is marketing. "Courtaulds has lost out in the past through its lack of customer focus," says one analyst. "The hope is that we will now see a No 2 appointed with some flair for marketing."

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Robert Chote - Economics Notebook Interest rates still flout all the rules A model which will correlate rates and objectives remains a pipe dream. Laurence Meyer, appointed as a Fed governor by President Bill Clinton, said in March "this strategy calls for the Federal Reserve to patiently support a continued expansion at full employment and at the trend rate of growth. When the next recession arrives, whatever the timing, inflation will ratchet down another notch. This strategy gradually and at low cost lowers inflation over time until price stability is achieved."

سكزانت الأهل



A morphing moment: Arnold Schwarzenegger and James Cameron with the eponymous robot's skull from Terminator 2: Judgment Day

Pirates scour digital domain

Demand for special effects artists outstrips supply, writes Alice Rawsthorn

Like many other companies, Digital Domain has a flag flying above its headquarters, but the symbol on its flag is distinctly different from the usual run of corporate logos. It is the Jolly Roger.

Digital Domain, founded three years ago near Venice Beach in California by a consortium including the IBM computing group and James Cameron, the Terminator director, is typical of the new wave of technology-led companies that is transforming the US entertainment industry. Its corporate spirit is well described by the Jolly Roger.

After starting in business as a digital effects laboratory, providing film directors with frighteningly realistic alien creatures and disaster scenes, Digital Domain is now diversifying into the production of CD-Roms. Eventually, it will move into feature films. It sees itself as a role model for the digital studios which it expects to compete directly against the Hollywood film establishment.

James Cameron's enthusiasm for digital effects dates to the late 1980s when he commissioned the visual effects for his film, *The Abyss*, from Industrial Light & Magic (ILM) in northern California. ILM was founded in 1975 by George Lucas, the Star Wars director, when, in protest at the Hollywood establishment, he left

Los Angeles to live and work at his 2,600-acre Skywalker Ranch near San Rafael.

His work at ILM was critical in replacing the hand-made models and drawings of traditional special effects with sophisticated computer-generated images. *The Abyss* and Cameron's next film, *Terminator 2: Judgment Day*, were two of his most successful early experiments.

Cameron soon wanted to have his own effects laboratory. He joined forces with Scott Ross, one of ILM's collaborators on *Terminator 2*, and Stan Winston, a model-maker who won an Oscar for his work on that film, to open such a laboratory, with IBM as a financial backer.

Steve Fredericks, Digital Domain's chief operating officer, says they were convinced that there was scope for a rival to ILM, particularly for one based near the Hollywood studios in the Los Angeles area, rather than hundreds of miles away in San Rafael.

"We also felt there was a technological opportunity, as things were changing so fast that it would be more efficient to start a new facility from scratch than to re-equip one," he says.

Digital Domain was launched in April 1993. IBM owned 50 per cent of the equity, with the remainder divided equally between Cam-

eron, Ross and Winston. Five months later it moved into a Frank Gehry-converted warehouse in Venice Beach, originally the headquarters of the Chiat Day/Mojo advertising agency, to start work on Cameron's *True Lies*. It then accepted other projects, including *Interview With A Vampire*, *Strange Days*, *Apollo 13* and commercials for Nike and Mercedes.

Demand for computer-generated effects has risen steadily in the three years since Digital Domain's formation, fuelled by technical advances and the commercial success of effects-laden movies such as ILM's *Jurassic Park* and *Apollo 13*. Digital effects are now a standard component of big budget films, pop videos and commercials where they create bizarre environments, such as *Waterworld's* futuristic sequences, or dramatic scenes like the typhoon damage in *Titanic*.

Digital Domain faces fierce competition for commissions not only from ILM, now working on the *Jurassic Park* sequel, but other laboratories, including Rhythm & Hues, the company behind *Babe's* talking animals. Hollywood studios, notably Sony and Warner, have also set up digital effects facilities.

All these companies are competing for staff, specifically for the "digital artists" who create the effects. The field is so new

that demand for talent exceeds supply. More than 100 of Digital Domain's 425 staff are digital artists, mostly recent art school graduates in their mid-20s. Steve Fredericks describes finding new staff as "our biggest problem".

If all goes well, the company hopes to expand its workforce to 500 by the end of this year, but it has to work hard to prevent existing staff being poached. One digital artist defected to Warner and staged a moonlight raid on the Jolly Roger flag.

Digital Domain professed specially designed T-shirts emblazoned with a mangled version of Warner's Bugs Bunny as an "exchange". Usually, the company relies on more orthodox measures, such as salaries up to \$150,000 (£96,183) for its digital artists, and share options. Yet Fredericks says its main allure for its employees is the range of work it offers.

Feature films are still the core of Digital Domain's business, providing 65 per cent of last year's revenue. The company is currently working on Luc Besson's futuristic epic, *The Fifth Element*, James Cameron's *Titanic*, and *Dante's Peak*, a thriller starring Pierce Brosnan.

The thrust of its future development will be production. This spring, it brought in Cox Enterprises, the US cable

television company, as a 29 per cent investor, because of its long-term interest in supplying entertainment directly to homes. IBM also now owns 29 per cent, as do Cameron, Ross and Winston. The rest is owned by employees.

The first stage of its production strategy will be a move into CD-Roms this autumn, starting with *Barbie Fashion Designer*, which it is bringing out as a 50:50 joint venture with the Mattel toy group. The company then intends to tackle the Hollywood studios head-on by moving into film production next year. Its first project, *Avatar*, will use *Toy Story*-style photo-realistic animation techniques.

"We started off as digital effects specialists, but the business plan was always to create a digital studio," says Steve Fredericks. "Ownership is the name of the game for us. There's no point in just being another content supplier."

Tim Jackson

The death knell tolls for junk mail



When I used to work from an office, the first hour of my day would often be consumed by opening the mail. Not that I received many real letters. Most of the correspondence consisted of dull press releases that could be typed instantly, but had to be opened to make sure they were not something more important.

Now that I work from home, things are different. When companies ask me for an address to which they can send press releases, I offer my e-mail address. And when they explain that they don't use e-mail and ask where I live, I reply tartly that in the industries I cover, any organisation that doesn't have access to e-mail is unlikely to have anything interesting to say.

I probably receive more junk mail than I did at the office, but it all arrives electronically. Yet instead of having to rip open dozens of brown AA envelopes each morning, I simply scan the list of incoming messages and zap those titles that look dull without troubling to read the text. In some cases, as with GPT Communications, a persistent company that sends a press release every time it wins the most insignificant contract, I have set up my mailing to zap the messages automatically before I even see them. The result is that I now takes only a few minutes to check a larger volume of incoming mail.

When its environmental advantages are thrown in, it seems clear that electronic junk mail is greatly preferable to paper junk mail. The only argument against it is the telephone charges incurred as the unwilling recipient has to download it to a PC from an Internet service provider. But these charges, probably 0.1p per message at peak rates, are

a small price to pay for the added convenience.

Unfortunately, most Net users seem to disagree with me. There is a strong and frequently expressed revulsion for companies that trouble consumers with electronic junk. This feeling is so strong that many Net users are unwilling to provide personal details when they look at Web sites, for fear that the details will be used to send them junk e-mail.

The problem has been exacerbated by a wish on the part of Web site owners to find out who their users are. Many sites now require "registration"; although they do not charge an access fee, they force users to give their names, addresses, telephone and fax numbers, occupations, job titles, ages, and so on. There is clearly a risk that the irresistible cannibal of companies' thirst for information will hit the immovable post of users' unwillingness to give that information - and that the growth of electronic commerce will be slowed as a result.

Earlier this month, the industry began to do something to break the jam. An ad hoc group of companies in the Net business has set up a project called eTrust with the aim of providing an audited certification system for electronic privacy. What this means in practice is that a Web site subscribing to the scheme will display icons, rather like the rocking chairs or dogs that one might see in a Michelin guide, indicating what the owners of the Web site do with information they obtain from users, and how they keep it secure.

The project is a great idea. In many cases, companies make their data protection policies clear on their Web sites, but it takes time to find the information. The icons will provide a standard that allows consumers to get the information they need in only a second or two.

But there is an advantage to the system that its backers seem not to have thought of yet. One of the greatest inconveniences of using the Web is the fact that the registration process takes so long. There are often 20 or more questions to answer, and even a fast typist can find it takes five minutes or more, during which the phone bill may be ticking away, to fill out the electronic form. To make matters worse, many companies (particularly British ones) have badly designed forms that can only be completed to the satisfaction of the computer on the second or third attempt.

With a certification system in place, the notion of registration could change. Net users can type all their personal information into their PCs just once, and can then specify to their browser software which parts of the information to release, to whom. Without having to make case-by-case decisions, a user might decide, for example, that his home phone number is only to be given to companies from which he has bought something that is to be shipped by FedEx, and only if the company promises not to use the number for any purpose other than confirming delivery details.

That may sound like high-tech wizardry. Actually, it would be simple to implement by making a small change to the existing system of "persistent client-side cookies" covered in this column at the start of this year. Cookies allow up to 300 small files to be stored by companies on their clients' computers.

If this idea were to be put into practice, the tiresome process of "registering" at a Web site could disappear for good.

A small improvement to the quality of life of Net users? Certainly. But this is just one of many incremental improvements that are likely to make electronic commerce increasingly cheap and convenient.

tim.jackson@pobox.com

Cyber sightings

- With the Olympics well under way, there's a plethora of sites to check out offering results, news, images, gossip and background. Here are a few of the best: IBM's official site (www.atlanta.olympic.org) is equalled by Big Blue's site for the next gathering, Sydney 2000 (www.sydney.olympic.org). Being based in the home of the games has its advantages, as proved by CNN (<http://CNN.com/SPORTS/OLYMPICS>) - careful, it is case-sensitive - and the Atlanta Journal-Constitution (www.ajc.com); while AT&T's site (www.olympic.att.com) has nice rotating images and their Olympic Museum Tour is worth checking out too. Of course, all is not entirely sweetness and light, so for an exploration of the controversy surrounding the Georgia state flag, try www.avana.net/pages/personal/superman/flag.htm
- The Japan Information and Cultural Centre at the Japanese embassy in London has put up a nice site (www.embjapan.org.uk) with useful information on working in Japan and relevant cultural events in the UK.
- Yahoo's new quotes service (<http://quote.yahoo.com>) covers most elements of US markets news. Concise, well-structured and simple to use.
- A case of champagne is on offer in Business Monitor's new Fantasy Fund Manager game, available at their site

- www.businessmonitor.co.uk, which also has coverage of corporate finance, markets and economic analysis.
- The UK Independent Financial Advisers' Association (www.ifaa.org.uk) is full of good information on that sector, with a password-protected members' forum.
- The US Department of Energy is funding CONDUIT (www.sme.org/conduit), a technology reinvestment project aimed at enhancing skills and improving training links between industry and the college sector. Well worth a look if you are involved in engineering or training.
- If you are interested in urban mass transit, New York City's Metropolitan Transportation Authority (www.mta.nyc.ny.us) is a good example of a functional, public-service site, with lots of

- solid passenger information.
- The Investment Research Institute (www.options-ira.com) is worth a look if you are in options trading or research. It offers a daily market commentary - with special emphasis on high-tech stocks. The Top 10 Trades feature is cool.
- The Law Source (<http://thelawsource.com/index.html>) is a wide-ranging source page for the US legal profession, provided by the publishers of the Internet Legal Guide. It has a well-organised set of links.

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MANAGEMENT

Japan's new breed of corporate president is placing greater emphasis on sales and marketing, writes William Dawkins

A fresh outlook at the top

Some of Japan's biggest industrial companies are putting a new kind of person into top management, for reasons which throw much light on how their business outlook is changing.

It used to be that the typical corporate president was an engineer, who owed his success to two things: an intimate knowledge of and faith in the company's products; and close, almost familial, membership of the domestic management club. Marketing skills and international experience were seen as important, but secondary.

There have always been exceptions - such as Sony's now ailing and retired Akio Morita, the Japanese managerial prophet of globalisation. But now, as shown by three top appointments in the past year, the exceptions are proving the rule.

The reign of the domestically focused Japanese engineer is not exactly over - but it is gradually giving way to a new generation of international top managers, who place greater emphasis on sales and marketing.

Latest of the new breed is Taizo Nishimuro, 60, former head of Toshiba's multimedia-related businesses, who was chosen last month, over nine more senior colleagues, to become the first non-engineering president of Toshiba, the electronics to power generation leviathan, in 10 years. He cut his teeth as a salesman and has almost no experience of the heavy electrical activities which form the core of Toshiba's business. In its 120-year history, Toshiba has only put three non-engineers in charge.

Other examples of the new breed at the top include Hiroshi Okuda, last year appointed president of Toyota, a sales expert who pioneered his company's US expansion, and Nobuyuki Idei, who became president of Sony, also last year, after five years in advertising, marketing and communications, and the choice of London-born and Harvard-educated Minoru Makihara to head Mitsubishi Corporation four years ago.

Their rise, says the most experienced of the new breed, reflects the globalisation of

Nishimuro personally embodies several changes in policy at what used to be a bastion of traditional Japanese management. As well as a more international outlook, this includes faster and tougher decisions, and the growing importance to Toshiba of electronics, on top of engineering. At the same time, he is rooted in Japanese management traditions

their companies' markets, now decreasingly centred on Japan, and the acceleration of technological change. "Technologies are now moving so fast that it is impossible for the top manager to know all the details. Companies are now looking for generalists who can understand the broad changes, delegate and provide leadership," says Makihara.

Nishimuro personally embodies, as well as promotes, several changes in policy at what used to be a bastion of traditional Japanese management. As well as a more international outlook, this includes faster and tougher decisions, and the growing importance to Toshiba of electronics, on top

of engineering. At the same time, he is rooted in Japanese management traditions.

His human qualities merit examination because they illuminate Toshiba's future strategy - and perhaps that of others which have made similar management changes.

The personal style of Nishimuro, an unusually tall, straight-talking Confucian scholar, does not mark a complete break with the past, but rather a gentle shift to new priorities. When asked if he will bring a change in management approach, he laughs, self-deprecatingly, in a booming base voice. "This management change which was already taking place in Toshiba resulted in my appointment," he replies.

The main thrust of that change, he explains, is a shift in emphasis from product development, formerly at the heart of Toshiba and its top people, to marketing. Of course, both are vital, he emphasises. "But product development has to be led by marketing. In other words, product developers cannot stand alone. The direction of product development has to be led by marketing."

Led by the market, he estimates that the proportion of Toshiba's sales devoted to information technology, communications and semiconductors will rise from the present 54 per cent to 65 per cent in the next 10 years, helped by the launch of digital video discs, scheduled for this autumn. Other consumer products and heavy electrical gear - the origins of the business - take up the rest.

Nishimuro stresses that he does not want to "de-emphasise" the value of Toshiba's core engineering business, but points to the shifting balance of business as an example of how markets are taking the lead in this formerly production-led company.

In some ways, he is a typical Toshiba president. Like many others before him, Nishimuro has worked there all his career, since leaving prestigious Keio University with an economics degree in 1961. But he has more international experience than most, thanks to 14 years in sales and marketing in the US, where he is credited with having returned three loss-making units to the black. He picked up fluent English as a student, doing a vacation job in a Canadian lumber factory.

And yet at first meeting, Nishimuro comes over as the archetype of a resilient, single-minded Japanese manager, by instinct and training from early childhood.

From the moment he could read, at the age of five, Nishimuro's father made him study Confucius for half an hour every morning before breakfast. From this experience, he derives his management motto: "To have the wisdom to recognise our own mistakes and the courage to correct them." Confucian humility colours his attitude to almost everything. Disarmingly, Nishimuro recalls that he has had to correct "so many" personal mistakes. But there is a hard subtlety he expects colleagues to do the same.

Nishimuro believes his Confucian training helped him pull off his first big project as a salesman. It was, he says, the most formative experience of his career.



As Toshiba's first components salesman in the US in the mid-1960s, Nishimuro was trying to sell television tubes to a mid-west electronics company. He made an appointment to see the potential customer's vice-president at 9am, but was humiliatedly kept waiting until the late afternoon. All 20 salesmen waiting in the lobby had been given a 9am appointment. "It was miserable," he recalls.

Then, he was told that the company wished to see a representative of all divisions of Toshiba - then little known in the US - rather than a mere components salesman. The young Nishimuro replied

that that could be arranged, but in the meantime he had been granted an appointment to present television tubes and wished to be heard. Impressed, the US executive listened, laughed and eventually "placed a substantial order."

The lesson? "Endurance. He has never forgotten it. As head of Toshiba, it is important to keep your memory of the past."

Nowadays, rather than studying philosophy before breakfast, he rises at 5.15am to drink a glass of vegetable juice and perform 125 press-ups (he raised this from 121 on celebration of becoming

president). The regime is reminiscent of the philosophical warrior manager of popular myth.

But on arrival at the office at 7.30am, the new manager takes over from the archetype, and Nishimuro's first task of the day is to read e-mail from colleagues, a rarity in Japanese companies. It is a useful management tool, he says, though Nishimuro wishes his e-mail correspondents would be less deferential, a reminder that his mission to establish a more open management style will not be quick or easy.

But the mission to update the Toshiba blueprint goes much further than wishing to exchange frank cyber-chat with colleagues and extends to a reassessment of the shape of the business. Nishimuro has embarked on what will be a "continuous" review of Toshiba's sprawling - critics say unwieldy - empire, stretching from the manufacture of ball bearings for the US space shuttle, to air conditioners, power stations, semiconductors and personal computers.

The aim is to focus more tightly on Toshiba's core strengths, which Nishimuro lists as basic semiconductor technology, integrated systems, visual communications and power generation. "As long as I am in this position, there will be no end to the reviews," he says, recalling the traditional Japanese management principle of continuous self-improvement.

That means, he says, forming more international alliances in sectors where there are stronger competitors or even pulling out of areas where Toshiba is weak. He confirms, with unusual clarity for a top manager in consensus-based Japan, that there will be closures. "But they will take place quietly. In this Japanese environment, we must do this gently and patiently," says Nishimuro.

This is not new to Toshiba, incidentally. Three years ago, for example, it pulled out of unprofitable audio products in an attempt to reverse a three-year slide in profits, from which it has since recovered.

Forming alliances and resolving weaknesses go together, he says, once again revisiting philosophical roots. "We have to be more humble, to evaluate our strengths so that we can better appreciate the strengths of others," says Nishimuro.

Internal management change will, of course, be needed to support the change in the shape of the business. First, Nishimuro wants to improve the speed at which Toshiba reacts. In common with other large Japanese companies, Toshiba has tended to be slow to formulate ideas, because of the need to win agreement from the multiple layers in the management hierarchy, though quick to implement decisions, once they are made.

Just before he took over, the group eliminated the jobs - of course without making redundancies - of deputy department heads and section chiefs to speed up communication with top management. The next stage, says Nishimuro, will be to encourage employees to move more widely between divisions, rather than as in the past between jobs in the same division.

In line with his international outlook, Nishimuro wants to bring foreigners, for the first time, on to the Toshiba board. "Before I quit this post, I hope to have one, two, three or even several foreigners on the board," he says. The nationality of future foreign board members is not of primary importance. The crucial thing, he says, is to bring new angles to the board's view of Toshiba's business.

Few Japanese companies of this size have appointed foreigners to the inner sanctum, apart from Mitsubishi Corporation last year and Sony, that perennial pace-setter of Japanese management, seven years ago. The message from the latest in the new breed of Japanese company presidents is that the mould is changing subtly, but irreversibly.

Siemens keeps it in the family

To many outsiders, Siemens, Europe's biggest electronics and electrical goods business, seems like a lumbering giant. That is not the way it appears to Manfred von Raven, head of Siemens Automation, one of the company's 14 divisions.

The automation unit has annual sales of about DM7bn (23bn), out of the DM28bn company's sales. According to von Raven, the advantages of the divisional structure lie largely with the opportunities for exchanges of ideas between Siemens' different parts.

He believes this outweighs any disadvantages of having what some might take to be the large and unwieldy Siemens organisation whose range of activities includes power engineering, domestic appliances, car components, semiconductors and computers.

Von Raven, based in Nuremberg, smiles at the notion that, were Siemens a UK or US company rather than German, it would by now have succumbed to the vogue for "unbundling" and been separated into its component divisions. Siemens executives have mulled over proposals for a break-up "but it came to nothing". There are, he says, so many good things to come out of the Siemens association, that breaking up would be foolhardy.

The automation division covers a range of activities from letter sorting software to lift controls. Standardised products, such as programmable controllers or machine tool controls, account for only about 65 per cent of the division's sales, down from 80 per cent six years ago. The division has to be quicker in learning about new concepts, as more of its activities concern software and customised services for organisations which can be anything from farms to pharmaceutical plants.

Roughly four fifths of the division's sales (and a similar proportion of its 18,700 employees) are in Germany. But the figure will decline to nearer 60 per cent by the end of the century, says von Raven, as Siemens continues its drive to internationalise.

In this changing environment, the automation division has more to gain from being part of Siemens than being out of the family. While the company's strong balance sheet gives it financial muscle, he says one of the most compelling reasons for keeping the Siemens family intact is its common links in technology.

Learning new ideas can come through job rotation; people move around Siemens and discover new facets to different industries.

Also, says von Raven, DM1bn of the division's annual sales comes from the unit doing work for other parts of Siemens. For example, Siemens managers and consultants in automation systems have picked up useful concepts which they can use in other areas of their work, from Siemens colleagues in areas such as semiconductors.

The final justification for the continued bundling of Siemens, says von Raven, is the way the group can set together in some of its international activities, especially in places like China which present short-term operational difficulties but where the long-term business potential is vast.

In China Siemens has a total of 33 joint ventures, with more on the way. "The organisations that we have established there is a considerable help to other parts of Siemens which are moving in," says von Raven.

Peter Marsh

Is performance-related pay worth it?

How would you like it if details of everybody's pay and bonuses were posted on the office notice board so you could see exactly who was getting what? Unless you have a screw loose, or unless you work for a company where pay levels follow a strict formula, I expect you would not like it at all.

But according to Steven Kerr, who holds the curious position of "chief learning officer" at General Electric, all companies should follow this practice. From anyone else such a hair-brained scheme could be dismissed out of hand, but given the admiration GE commands in management circles (it has had more glowing case studies written about it than any other company with the possible exception of ABB) the idea deserves an airing.

Writing in the current issue of Fortune magazine, Kerr argues that if you give someone a \$1,000 bonus in secret, then the total number of people you motivate is between zero and one. That may be true, but it

does not follow that by publicising the bonus you motivate those who have not got one. Instead the total number of people you motivate is closer to minus 100.

More plausibly, he says that if nobody knows what their colleagues are getting paid, rumours will get out of control. And as surveys show that people tend to feel everyone else is better paid than they are, the net effect of publishing pay information is likely to be reassuring.

That sounds like wishful thinking. If you published a pay league table all hell would break out. Human nature is such that it is far easier to demotivate people than to motivate them. Thus if you discover that you are paid more than two of your peers you may briefly feel good, but that effect will vanish the minute you discover that another colleague - who you had always regarded as a complete dolt - is paid more still. Equally, when the second year's pay league table goes up on the notice board you are



Lucy Kellaway

bound to find still more cause for upset. In isolation you might have felt quite happy with your bonus, but when you discover that your relative place has slipped back, any positive effect vanishes.

It is true that rumours about other people's bonuses have a bad effect on morale. It is also true that publishing pay levels may be a good idea, but for a different reason. The uproar might force the company to reconsider whether it should be rewarding people in this way in the first place. If performance-related bonuses cause so much bitterness when made public, the answer may not be to keep them secret but to

drop them altogether.

Still on performance pay, do we really have to call the new long-term incentive plans "L-Tips"? The name sounds like the things we cleaned our ears with until the medical profession told us that we would do better to leave our ear wax alone. Moreover, an initial followed by a word has an old-fashioned sound to it (G-Plan, A-Line, G-Spot etc). Most inappropriate of all, the word "tip" usually refers to the extra quid or so that you give to the cab driver, or the shilling you

leave on the saucer for the lady who brought your tea - not the millions of pounds that the bosses of United Utilities stand to get if they can get their "L-Tip" past the shareholders.

Management experts and writers have traditionally made rather heavy weather out of the subject of leadership - they have come up with at least 70 rival definitions of what a leader is. But children seem to have no such difficulty. In the July/August Harvard Business Review, in a section titled "Strategic humour", they asked children to draw what "leadership" meant to them. The best picture is of two people on horseback, one in front of the other. "If you follow me, I am the leader," it says. Just so.

I have been sent a promotion pack inviting me to "Lighten up!" by buying a poster with a cartoon

and a jokey little message about punctuality, absenteeism, waste, etc. The pack contains the usual sort of thing, with messages from delighted customers: "They show my people I have a sense of humour," says a bespectacled man in a grey suit. (They show nothing of the kind, but that is beside the point.) What caught my attention was "research" that purports to prove how essential these posters are. Quoting "a recent university study" (it didn't say which) the pack states that motivational posters increase "general satisfaction levels" by 18 per cent and productivity by 10 per cent.

These laughably untrue "facts" seem to be becoming widespread in the marketing of gimmicky management products, books and seminars. This might be something for the Advertising Standards Authority. On second thoughts, managers stupid enough to believe that they can improve motivation by buying a poster don't deserve protection. They deserve the sack.

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BUSINESS EDUCATION

In the light of Wafic Said's £20m gift to Oxford University, Della Bradshaw considers business school fundraising

A taste of immortality

From Fuqua to Wharton and Kellogg to Katz, in the US business schools have been eager to adopt the name of generous benefactors in order to raise in the cash. Sitting somewhat uneasily among the likes of Simon, Sloan, Stern and Smeal is the latest business school benefactor, Wafic Said.

The decision by Said to give £20m to the School of Management Studies at Oxford University - to be renamed Said Business School - puts the Syrian-born entrepreneur in the top league of business school benefactors. A decade ago it took a donation of just a few million dollars to persuade a business school to put a benefactor's name in lights. Twenty years ago schools were often simply named after notable local business people.

"It's amazing the huge sums of money that are being given these days," marvelled the spokesperson for one major US business school. "I guess these people must be just trying to buy immortality."

Even in the US, which has a far longer tradition of this form of sponsorship, £20m is a figure to be drooled over. It has outstripped the recent

donation of \$30m (\$19.2m) given to the Graduate School of Business at Babson College, in Massachusetts - now called the Franklin W. Olin graduate school of business.

In the UK, Said is clearly setting the pace. Sir Paul Judge gave £2m to Cambridge University to set up the Judge Institute and Oxford's Templeton College received just a little more than £7m in two tranches from Sir John Templeton.

Oxford is largely unrivalled in business school terms in being able to draw in £27m from just two benefactors. Indeed, the university was able to exploit its idiosyncratic college system to enable it to name two planks of its business education infrastructure - a college and a school - after different benefactors.

The donation has been welcomed throughout the business school community because it raises the stakes for potential benefactors and raises the profile of business as an academic subject. "It sends the right signals," confirms Claire Pike, secretary-general of Insead, the international business school, in Fontainebleau, near Paris.

With a universal move away from government funding for graduate management education, UK institutions are not alone in looking for sponsors. In the past year two of Canada's 28 business schools, at the universities of Western Ontario and York, have succumbed to the trend. But in return for re-naming their schools each received only about half of Oxford's £20m. In the US only Harvard, Chicago and Stanford among the big name schools have retained their names and brand images.

Of Said's £20m, which requires "matched funding" - the university has to raise a further \$20m in order to get Said's money - the lion's share will pay for the construction of a building in central Oxford.

Buildings, especially executive centres, have proven particularly popular in the US for would-be benefactors who cannot afford - or are not able - to endow the whole school.

The University of Virginia business school, for example, was dubbed the Darden school in the mid 1970s after Colgate W. Darden, who trailblazed business education there. So when local magnate Thomas Saunders

AS A RESULT OF A PARTICULARLY GENEROUS GESTURE CHILDREN, OUR SCHOOL WILL HENCEFORTH BE KNOWN AS 'KEVIN'S DAD MIXED INFANTS'



recently gave \$10m (\$6.4m) the school agreed to name the spanking new centrepiece building on the Darden site as the Saunders Hall and promised to name an executive centre after him as well.

For those who cannot afford even to endow a building, professional chairs are the next rung down on the ladder. Scanning down the faculty list of any business school reveals the extent of the practice. At London Business School 25 out of the 110 academics are funded, all but one in the name of a company or institution.

In the US between a third and a half of all faculty hold funded positions, mostly in the name of individuals - or even husband and wife teams.

This odd ritual is not restricted to the lower echelons of business school staff or the more lowly under-funded schools. Perhaps the most famous dean of all, Donald Jacobs, Kellogg's long-standing dean at Northwestern University, who reveals under the name of America's "dean of deans", should, it appears, be more properly referred to as the Gaylor Freeman distinguished professor of banking.

The pound in your pocket

Course fees and corporations keep the wheels turning

Twenty million pounds may sound like a huge sum of money, but it does not go very far when it comes to running a modern business school.

It costs about £1m to fund a professorial chair, with the accruing interest paying the professors' wages. An endowed scholarship costs around \$500,000 to set up.

A relatively small school, such as London Business School (LBS), spends £6m a year on academic wages alone, and a further £4m on buildings and premises.

While the gift from a single large benefactor makes headline news, most fundraising involves talking a large number of organisations into each giving a small amount of money.

Insead, in Fontainebleau, near Paris, announced an aggressive fundraising campaign last September. Its plan was to raise FF700m (\$87m) of fresh capital over five years to fund research at the school.

So far Insead has raised FF240m including FF200m of pre-launch funds.

The money has come from individuals, alumni and corporations, with a higher proportion of the money coming from companies than you would expect in the US, says Claire Pike, secretary general at Insead.

The funds have enabled Insead to employ nine extra faculty members for the forthcoming academic year, including seven professors.

The big source of revenues is fees. This is particularly true for younger schools, such as Fuqua at Duke University, where the alumni have neither the financial nor corporate clout to endow chairs or buildings.

Last month Fuqua started its first global executive MBA programme, with each of the 45 students paying \$75,000 (£49,000) to join - an upfront income for Fuqua of nearly \$3.4m.

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SINGAPORE offers excellent back-up to computer experts. HERE'S data on other exhibitions.

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|------------------|--|-------------------|----------------|--|-------------------|
| Date | Event | No. of Exhibitors | Date | Event | No. of Exhibitors |
| 2-5 Sep | Information Superhighway Summit Asia '96 Exposition & Conference | 200 | 15-16 Oct | High Life - International Trade Fair for Consumer Goods | 200 |
| 5-8 Sep | Moneyworld Asia, Singapore '96 (incorporating Australia & New Zealand Business World, Singapore '96) | 160 | 16-18 Oct | HRD Asia '96 - 3rd Premier Human Resource Development, Instructional Design and Training Technology Exhibition | 250 |
| 9-11 Sep | APPEC '96: 12th Asia Pacific Petroleum Conference (incorporating a trade exhibition) | 35 | 17-20 Oct | 1PEX Asia '96 | 150 |
| 12-15 Sep | Applicates & Electronics Asia Singapore International Food & Beverage Fair '96 | 200 | 22-24 Oct | Replitech '96 | 100 |
| 18-20 Sep | Europe Selection Fashion Fair INTEX '96 International Textile, Trim and Ready-to-Wear Exhibition | 70 | 23-26 Oct | IDP: International Design Forum | 200 |
| 24-27 Sep | RLP Asia '96: Refining, LNG & Petrochem Asia '96 (in conjunction with OSEA '96) | 190 | 24-26 Oct | ATAI '96: Asia Travel Market '96 | 200 |
| 25-27 Sep | COMDEX Asia at Singapore Informatics '96 (AIF) | 800 | 24-27 Oct | India Expo '96 | 200 |
| 2-4 Oct | Marichem Asia '96 | 80 | 29 Oct | Tyresex Asia | 15 |
| 8-11 Oct | ENEX '96: Electric Asia / Asia Electronic (incorporating Electric Asia '96, Lighting Asia '96, Power Generation Asia '96) | 500 | 29 Oct - 3 Nov | SAVE International: Singapore International Audio-Video Exhibition | 55 |
| 9-12 Oct | GLOBALTRONICS '96 (incorporating Electronics Subcontracting / OEM Asia '96, Napecom Asia Pacific '96, Semitech Asia '96, Electrotest '96, INPRO '96) (AIF) | 1600 | 6-9 Nov | Private & Contract Asia '96 | 200 |
| | | | 10-14 Nov | 9th Congress of the Federation of Asia & Oceania Permalat Services Exhibition | 50 |
| | | | 10-17 Nov | Singapore Motor Show '96 | 150 |
| | | | 14-17 Nov | INVEST '96 | 30 |
| | | | 21-22 Nov | Hemisphere Asia '96 | 50 |
| | | | 21-22 Nov | 1996 Asia Pacific Derivatives Exhibition | 40 |
| | | | 25 Nov - 1 Dec | Season | 100 |
| | | | 26-30 Nov | MITA '96 (incorporating Metal Asia '96, Autom Asia '96, Moulding Tech Asia '96, Molex Asia '96) (AIF) | 1500 |

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BUSINESS TRAVEL

Travel News • Roger Bray

South China warning Sexual harassment is becoming a hazard for business travellers in southern China. Approaches may be followed by extortion, warns the UK Foreign Office, and violence from accomplices claiming to be police officials. Anyone suspecting a trap should insist on seeing credentials, check them carefully, and refuse to sign anything they do not fully understand. Meanwhile, drugged food and drink is a risk in Bulgaria, where violent robbery has been on the increase.

Promise on airfares There is only one way fares across the north Atlantic will move down. Thus British Airways' chairman, Sir Colin Marshall, reassures those still sceptical about the impact of BA's proposed alliance with American Airlines. According to American Express, business-class fares between the UK and the US have risen an average of 10 per cent over the past year. Already Europeans buying

seats in business cabins have been lumbered with bigger increases than those flying first or economy. Amex says prices between Europe and north America rose faster than on other routes - by an average of 9 per cent.

Prime site for hotel A new Peninsula Hotel is planned for a site near Sydney Opera House. Subject to regulatory approval, it will be built on land between the ferry terminal at Circular Quay and the Botanical Gardens. The aim is to open the finest hotel in Australia in time for the 2000 Olympics.

More routes for Virgin Richard Branson's new low-fare airline, Virgin Express, is to launch new scheduled daily services linking Brussels with Geneva and Copenhagen. Fares on the two routes will start at BF2800 (£37.50).

Jakarta service hitch Politics has delayed the start of a proposed new air link between Seattle and Jakarta which was due to start this month. Northwest Airlines wants to fly to the Indonesian capital via Osaka, which would have cut the present journey time by up to eight hours. But

Japan has refused permission for Northwest to operate the service under what the airline claims are its historic intra-Asia traffic rights. In the hope that all this bickering ends by then, Northwest has pencilled in October 1 as the new start date for its Jakarta service.

Music in Berlin Time off in Berlin? The city is making a virtue of necessity this summer by turning its building sites into outdoor concert theatres. With the government and parliament moving in from Bonn by the end of the decade, more than 300 projects are thought to be under way,

including more than 60 new hotels. Not content with offering guided tours of developments such as those on the Potsdamer Platz, once a wasteland, the city is drowning out the clang of scaffolding with entertainment from opera to Cuban salsa. Until August 25, musicians, singers and comedians are performing on 10 stages at construction sites along the Friedrichstrasse, for example, and at the Brandenburg Gate. Among those appearing is the Batsheva Dance Company from Tel Aviv. Visitors can pick up information from the Infobox on the southern side of Leipziger Platz.

Likely weather in the leading business centres. Table with columns for cities (Tokyo, Hong Kong, London, Frankfurt, New York, Los Angeles, Paris, Zurich) and weather icons. Includes a logo for BEIRUT DAMASCUS Amman and a phone number 0345 320100.



A Peruvian hotel's surprise stars Roger Bray describes a revival of travel to Latin America

Peruvian businessman is proposing to open a five-star hotel in Lima with a dolphin pool in the lobby, a bizarre project that provides, nevertheless, vivid evidence of a resurgence of travel to Latin America in general - and Peru in particular - which has put heavy pressure on room prices. Economic revival and the softening of the terrorist threat from rebel group Shining Path has brought business and leisure travellers flooding back to the Peruvian capital. Occupancy rates in the city's luxury hotels have been hovering around 90 per cent, making Lima's rooms some of the most expensive in South America. Average rates now range from \$180 to \$250 a night, according to Ely Garcia, Latin American

regional director of international hotel experts Horwath Consulting. "Prices have shot up since the economic turnaround and are now parallel with those in Buenos Aires and São Paulo," he says. One UK travel company specialising in flights and tours to Latin America reckons hotel rates in Lima have risen by up to 70 per cent. An important reason for pressure on prices is that the South American "grand tour", taking in Brazil, Argentina, Chile, and the Inca sites of Peru at Machu Picchu and Cuzco, is back in vogue. Peru is regarded as largely safe again, Chile has emerged from under its dark cloud of political unacceptability, and

memories of the oppression in Argentina are fading. The recently announced alliance between American Airlines, which dominates the market between North and South America, and British Airways, which will feed European passengers on to American's flights, can only increase the pressure on hotel rates. Encouraging news, however, is that there has been a countervailing boom in hotel building. Optimism about the future for hotels in the region was reflected in a report last year from the Economist Intelligence Unit, which predicted high rates of growth in Peru, Chile and Colombia, and steady advances in Brazil.

Prospects for Argentina were poorer, it said. The 250-room Lima hotel, Leon Deffines, which looks set to stir up controversy among wildlife conservationists, is not the only imaginative project planned in Peru. In Cuzco, for example, a colonial-era convent is being converted to luxury accommodation. In the capital, elegant residential property is being turned into boutique hotels. And Oro Verde, a Swiss-owned company based in Ecuador, will open a five-star de luxe hotel there towards the end of this year, according to Garcia. "Chile is also booming, though hotel development there is not taking place at the

same rate as in Peru," he says. Average occupancy rates in luxury properties are close to 90 per cent. Kempinski, Inter-Continental and Howard Johnson are all developing properties there. Hotels in São Paulo, Brazil, are fuller this year, and prices are reflecting that, says Ricardo Mader, a partner in Horwath's Brazilian arm. "A big growth in demand has forced rates up from \$160 to \$170 last year to between \$200 and \$240. But development plans should increase the city's total stock of hotel rooms from about 2,000 to more than 3,000." In Brazil, as in Peru, eye-catching projects are under

way. São Paulo's image may be that of a grimy industrial city, but a Brazilian developer is building a palatial 120-room hotel there in a rainforest park. And on the Rio Negro, a tributary of the Amazon, the model "eco hotel" is planned, using materials which harmonise with the surrounding jungle and the latest techniques for waste disposal and energy conservation. It will provide a centre where locals will be trained to work in the catering business. There is less bounce in Argentina. Ricardo Mader says hotel occupancy has fallen towards 70 per cent. It is an estimated 2 per cent to 3 per cent below last year, mainly because the country's privatisation process has slowed.

When airlines serve up the unexpected

I have been on 16 flights in as many weeks - perhaps not as many as some globetrotters but enough to keep me away from airports for a time. These flights were in the so-called first world and third world, and were almost exclusively with United Airlines and Iran Air. I expected the two airlines to be different - but not quite in the way that transpired. I flew United from London to Chicago, Denver, Jackson in Wyoming and San Francisco. The flights across the Atlantic were fine. Even my requests to be upgraded were rejected with a smile. There were no delays and the service and food were reasonable. United's in-flight entertainment was conventional fare. I know this

can be annoying for regular travellers who keep encountering the same movie, or for those unhappily positioned in relation to the screen. But I think it is a much better system than the individual TV screens of which Virgin, for example, is so proud. Any benefit from a wide choice of programmes is mitigated by the small in-seat screen and its proximity to your face. Moreover, the seats are taller to accommodate the eye-level screens, so that if you have the misfortune to be in an inside seat, you are in a kind of hell-red pit (Virgin's choice of col-

ours) from which there is no escape. The real disappointment came with United's domestic services, where I was expecting the best of US efficiency, competition and service. Quite the reverse. The interior of the aircraft to Denver resembled a seedy motel room. The seat upholstery was in dismal stripes in worn colours amid a dull grey surround. The telephone and fax were incongruous in such unpromising surroundings, but were invaluable for alerting those meeting me that the flight was delayed. The food was terrible. One lunch

was a hamburger wrapped in silver foil, one snack-pack was a bag of crisps. On another flight I was presented with a bag of tortilla crisps and a little tin for lunch. Pulling the ring-handle revealed a thick black sludge. The description was spicy black bean dip. I consoled myself with the leaflet congratulating my "smart" choice and giving me the reassuring news that the tin and bag of chips had been "designed by our team of Master Chefs and Nutrition experts". I have no wish to pick on United in particular, since the experience is typical of most American inter-

national flights, where competition has driven down fares and service. Indeed United was even voted best US domestic airline this year by readers of Executive Travel magazine. The airline says it recognises there is a difference between its trans-Atlantic and domestic services and is trying to narrow the gap between them. A few days after my return I was back on aircraft, this time with state-owned Iran Air for a three-month visit to that country. Other airlines fly to Iran from Europe, including British Airways and Lufthansa, but I use Iran Air regu-

larly because of its discounted fares. Things did not start well. The queue waiting to check in at Heathrow extended into the far distance. But there were no queues at all at the airline's first-class desk. For a long time after the 1979 revolution, Iran Air abandoned classes, but it has now reinstated them. This is the airline of the Islamic Republic of Iran, so alcohol is not served and women are requested to wear headscarves. The airline dispenses with glossy magazines, except on a few flights, and the inflight film will not be a Holly-

wood blockbuster. But the interiors were bright and clean. Main meals - usually saffron rice with chicken or rice with dill, broad beans and lamb - would always be accompanied by a salad or two. On a one-hour domestic flight from Tehran to the desert city of Yazd, the snack meal was perfect: a piece of cake and a fresh orange. Overall, the standards of service and food exceeded expectations, particularly since domestic air fares are even cheaper than in the US. The most expensive fare, thanks to Iran's weak currency, was £10. Scheherazade Daneshkhu

SPORT

Future of player power

Freakish-sounding sums are being offered to basketball stars. But there is a pattern at work, says Michael Thompson-Noel

If we believed everything we heard, we would think that all big-time sports were deep in trouble. Avaricious sponsors. Piratical media companies. Brassy but toned (and brass-tongued) administrators. Brattish sports-persons enervated by stupendously high earnings and non-stop pampering. Heard all this? Of course you have. But occasionally the complainant is so distinguished that his words carry authority. Last week, for example, America's Carl "Eight Go Medals" Lewis, arguably the finest Olympic athlete of all, claimed that athletics was doomed in the US unless those who ran it sharpened their act. Lewis, 35, was on his way to Atlanta, where he is bidding for an unprecedented fourth consecutive Olympic long-jump gold. He said he did not think US athletics had progressed as it should have done in recent years. Unless it changed, it was "doomed". Lewis has always been seen as an odd bod - too flighty and glamorous, for one thing, and too selfish and idiosyncratic for his views on sport to have received a full hearing. But it is 12 years since Lewis strutted so provocatively at the Los Angeles Games, where, among other feats, he won the 100 metres by the highest-ever margin. And his career is virtually at an end. As a result, he is starting to be admired. People are even listening to him. "I feel like I've put in 15

years in the sport to try to get somewhere and I feel like it is drifting back to where it was when I started," said Lewis. "That is really depressing." Specifically, he attacked colleges and school coaches, who play significant roles in American athletics. Said Lewis: "I'm a professional athlete, but I have to deal with Mickey Mouse college people." The sport needed a new marketing strategy that attracted fans by winning the involvement of top athletes. "We've lost the kids, the fun base. I would not want my kids to be in something that's not progressing. I would want them to be in something that's going to grow, not stagnate." Lewis, of course, is famously single. What he meant, he explained, was that he would not want his friends' children to take up athletics. A top official, Ollan Cassell, reacted sourly. Lewis, he maintained, "should look at his bank account and his garage" if he believed the sport was fading. "He's one of the most respected athletes that we have. But I would think... he would like to review where the sport has come from and where it's going. He should look at the last two years, at the media exposure and the spectator attendance. They are better than they were 10 years ago." Whatever Carl Lewis's career earnings in athletics, they are dwarfed by the money available in American basketball. What isn't? Michael Jordan

recently re-signed with the Chicago Bulls for \$20m (£16m) to \$30m for a single season. Juwan Howard and the Miami Heat have agreed to a seven-year contract said to be worth \$88m. Another Miami star, Alonzo Mourning, is looking at a seven-year deal worth \$112m. And Shaquille O'Neal has moved from the Orlando Magic to the Los Angeles Lakers for \$120m over seven seasons. Basketball is usually portrayed as freakish in terms of money deals and player power. But happenings in basketball may foreshadow the way things are going in pro team sports worldwide, including, especially, European soccer. "I don't have any problem with NBA salaries," says Stan Kastan, president of the National Basketball Association's Atlanta Hawks as well as baseball's Atlanta Braves, calmly. "It means revenue in the league is good." For comparison, New England quarterback Drew Bledsoe has the highest US National Football League contract - \$42m over seven years - while baseball's fattest contract is Barry Bonds' \$44m, six-year deal with the San Francisco Giants. Mario Lemieux, the highest paid player in America's National Hockey League, is getting approximately \$49m over seven years at the Pittsburgh Penguins. "There's no question that the NBA pot has gone up as the league has prospered," says agent Tom Reich, who repre-

sents baseball and hockey players, including Lemieux. "The growth in NBA revenue has been astronomical. Other sports don't have that largesse to split among so few players." Boxers, golfers and tennis players have topped \$10m in annual earnings, much of it accounted for by commercial endorsements. But stars in team sports have never previously seen nine-figure packages. Claims Kastan: "That is what a good economic system that allows the [NBA] to function at maximum efficiency, yields. In basketball, there's a connection between salaries and revenue. For every dollar that goes [in] player salaries, it means more than a dollar is coming in. What's happening makes perfect sense." Bumper sports salaries infuriate countless folk, though not, as it happens, me. I go with the flow. So far as I can see, the latter-day inflation of sports earnings is inevitable and irreversible. It is part of what is happening in cyberspace. TV companies need sport desperately, indeed, to be sophisticated you would have to view companies that own sports teams as emergent media companies. Sport is media "content" writ large. Increasingly, the companies that own this content will want to broadcast it. But if salaries in pro basketball are any guide, the people who own the media companies that own sports teams may soon be... the players -



Rich enough to own teams? From left: basketball's Shaquille O'Neal and Michael Jordan, and soccer's Ryan Giggs and Alan Shearer

Michael Jordan and Shaquille O'Neal, or, in English soccer, Ryan Giggs and Alan Shearer. Think about it. Prices were strong at last week's annual Keeneland July yearling sale in Kentucky. This is the world's premier sale of juvenile racehorses. Prices were never likely to match those of the early 1990s, which were fuelled by a once-in-a-century buying spree by the ruling Maktoum family of Dubai. But last week's Keeneland average price was 42 per cent higher

than last year, at \$349,880, and the sales total was 26 per cent up, at \$58.4m. Four yearlings fetched \$1m-plus. Top buyer was Japan's pony-tailed Fusao Sekiguchi, 60, president of Meitac Corp, a computer software company in Tokyo, who spent \$5.8m on seven yearlings. These included the sales topper, a \$1.7m bay-coloured colt by Storm Cat, Sekiguchi, a successful owner, said that racing horses adds "dreams and romanticism to life". However, Prince Fahd Salman of Saudi Arabia said he thought Keene-

land's prices too high. "You have to be very sensible when it comes to buying." At present, Japan rules racing's roost. Recently, the Maktoums sold the England-based stallion Lammtarra, winner of the English Derby and Prix de l'Arc de Triomphe, to a Japanese syndicate for a sum not unadjacent to \$30m - eye-popping, as 1990s stallion values go. Last week's Keeneland sales catalogue was available on the Internet three weeks before the printed version, in future, bids may hurtle in from cyberspace.

James E. Bassett, Keeneland's director, said that if "confidentiality and integrity of bids can be maintained, then bidding over the Internet is a possibility". Horse racing is the costliest sport. Quite soon, a virtual-reality version may spring into being. The whole thing - breeding, buying, training, racing, betting and cyberduffy - could be conducted over a global fibre optic network hitched to massively parallel super-computers. Then we could all rub shoulders with the Maktoums and Sekiguchis.

Colin Amery • Architecture

Why Paternoster Square's fate is symbolic

In the 1960s there were sometimes up to 35 cranes stretching their long necks in the sky around St Paul's cathedral, in the City of London. Recently, I counted 14 cranes. Property developers are smiling again. Around Britain there is more genteel movement, and the government is steering local authorities towards renewal of their town centres and away from out-of-town expansion. New uses are needed for town centres, and it is clear from the cranes that regeneration is now the name of the game. Where does architecture fit

in? The government and planners want better design and I would judge the public mood as one that will be critical of rampant mediocre development. But in company boardrooms there is still a feeling that good architecture is something you tack on to a scheme if you have to. What no one has really dem-

onstrated is exactly how good architecture affects the bottom line. What is easier to show is how bad architecture can radically alter people's lives. It is a challenge for architects to add quality to the development equation. I have long felt that what they suffer from is inability to understand the financial world. Their

training does not prepare them for commercial activity. In fact, their job should be to demonstrate that good architecture is good business. In London there is one important site waiting for, and deserving, redevelopment of the highest quality - that old chestnut, Paternoster Square, alongside St Paul's cathedral.

If ever there was a site deserving money from the national lottery, this must be it. Why is a fortune to be spent on a forsaken peninsula in remote Greenwich, well downriver from central London, on a trendy millennium exhibition that no one wants? The proposed exhibition should be scrapped and the funds given

to British cities that need intelligent renewal. Today, the chief representative of Mitsubishi, the Japanese owner of most of the Paternoster site, arrives in London for a presentation of the new proposals for this difficult area. He will be shown a revised plan that attempts to show that commercial viability

is just possible providing the site is more intensively developed as offices. The current proposals, which have planning permission, will almost certainly be scrapped. The presentation will avoid matters of architectural style. No mention will be made of alternative ideas for the site that would encourage mixed

uses and bring an urban liveliness to the site. At this rate, Paternoster Square might as well be renamed the Mitsubishi Megastore. With all its proposed underground servicing, it is really one great big office building. Is it so unrealistic to hope that an opportunity would be grasped for making the entire area around St Paul's part of an imaginative plan that anticipated the revitalisation of London? London will change dramatically in the next 20 years. The key is to make the heart of it a place where people want to work and live.

مدى امت الأصيل



Experience a second childhood

Jackie Wullschlager welcomes the birth of an exhibition tracing the lives of the very young over the last five centuries

In ancient Rome, infanticide was so common that the most popular manual for parents-to-be was a treatise called "How to recognise a new-born that is worth rearing".

Today's parents, by contrast, pore over childcare guru Penelope Leach's liberal advice and suffer paroxysms of guilt if they leave a baby to cry. One of our favourite truisms, as we congratulate ourselves on the child-conscious 1990s, is that a society is to be judged by how it treats its children.

Yet all the signs of our involvement with childhood - the cult film *Kids*, for example, or the success of Baby & Co, a new consultancy supplying designer baby gifts, or the compulsion of many broadsheet columnists to regale us with details of their domestic lives - suggest that we do not in fact engage with children: we hijack them to glamorise our own adult lives. And so it is that our sense of childhood past, from Philippe Ariès' seminal *Centuries of Childhood* to Lloyd de Mause's controversial pro-1990s *History of Childhood*, fixes not on children but on the history of adult attitudes to them.

A notable exception is the Bethnal Green Museum of Childhood, in east London, with its three recently launched galleries. The first, Birth and Infancy, reopens this week to include exciting acquisitions and a new display which shows the lives and sensations of the very young over the last five centuries.

It is hard not to hear echoes of Penelope Leach in the baby-friendly themes - Sleeping, Feeding, Mobility, Health - of the new exhibition spaces. The child-culture they evoke, however, ranges from the idyllic to the horrendous. Take two of the prize items which you first encounter. First, the world's oldest swaddling band, linen and lace, from 16th-century Italy - to keep baby warm, but also to bandage limbs, curb the base instinct "to go down upon all fours as animals do", possibly even to hang baby up on a wall, like a picture. Next to it, a mahogany and ornate cradle with a carved swan made for aristocratic Georgian babies. It came with a rocker and a woman was employed 24 hours a day to swing the crib. A rare illustrated birthing manual, Jacobus Rueff's *De Conceptu et Generatione Hominis* (1587), which was

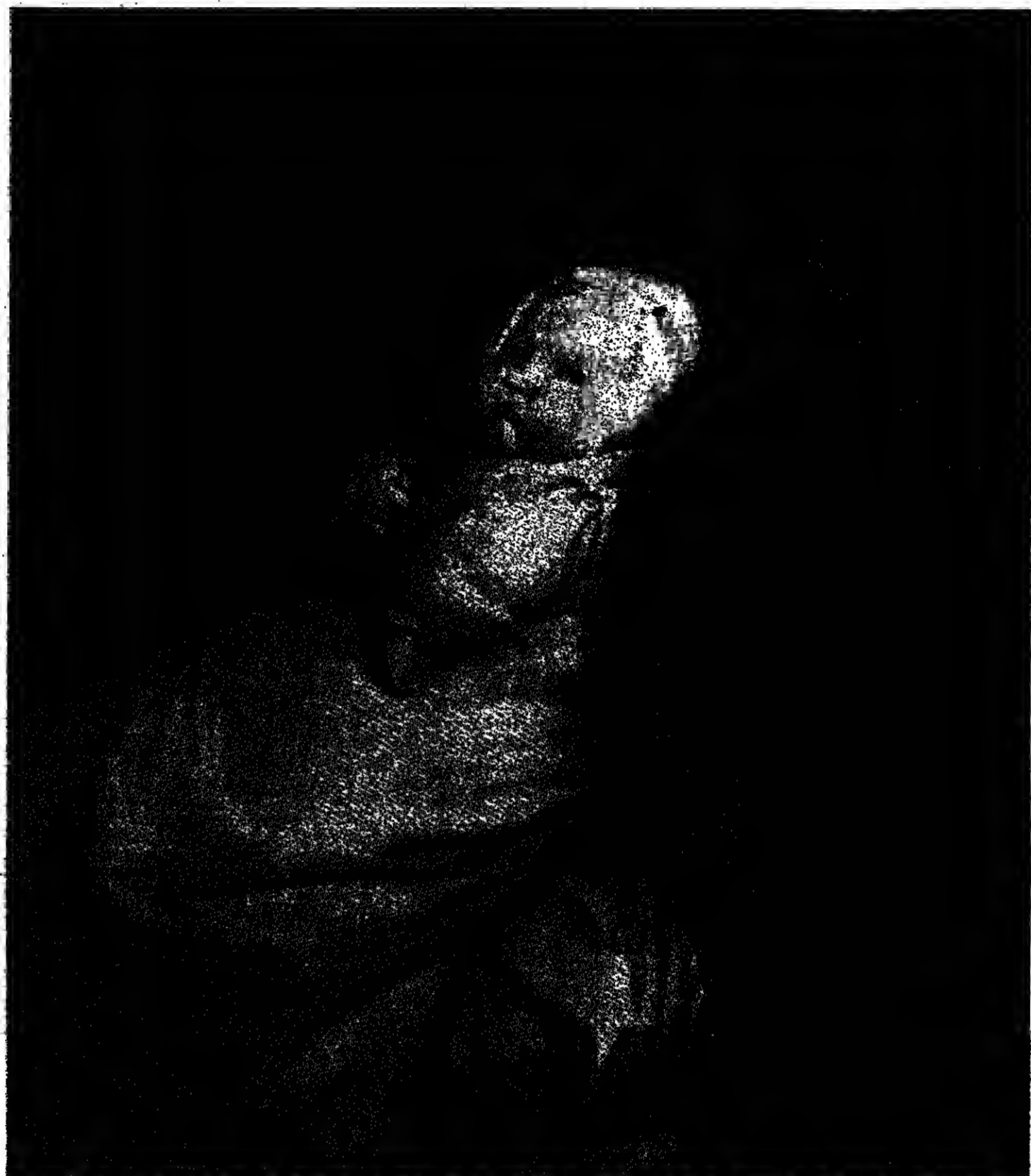
distributed free to all Swiss midwives, has inspired one of the more ghoulish interactive displays - models of ancient birthing chairs which visitors can try.

Or you might pop a child on a tiny oak pulpit crumode, equipped with miniature chamberpot and with holes bored through the back for straps to tie an infant in for as long as necessary. Early prams - three wheels with an upright seat - look punishing, too. They were retained until 1880, when a law banning four-wheel vehicles from footpaths was repealed.

It is the quirky details which give sudden insights. A child's 17th-century linen shirt, for example, was the focus of a rite of passage. A garment belonging to the parent of the opposite sex was cut down and sewed to form an infant's first shirt: folk tradition held that it would confer sexual attractiveness on the child. Early textbooks with bawdy doodles tell us how much a 16th or 17th-century schoolboy knew about sex. It was not until childhood began to be celebrated as a distinct state, in the 18th and 19th centuries, that deliberate attempts were made to keep children innocent.

Did early parents care much about their children or were they, as Ariès asserts, unwilling to invest emotional capital in them because of the high infant mortality rate? Historians are still arguing over this question. A newly discovered 17th-century portrait of a baby from the circle of the English painter Mary Beale is a highlight here and remarkable because it is among the earliest known examples of a baby painted alone, and suggests that before the 18th century parents loved their infants enough to commission expensive likenesses.

Most early portraits of babies depict royal children and are generally adorned with the trappings of wealth and dynasty - medallions, rich adult clothes and jewels. They were often painted to mark childhood betrothals linking two powerful families. This picture, on the other hand, has a rare informality and focuses on the baby's features rather than on status symbols. And the baby's ruddy cheeks make it a celebration of good health which contrasts sharply with the morose image of one of the gallery's



'Portrait of a Baby', a painting from the 17th century, exhibits a rare informality and focuses on the baby's features rather than on status symbols

most poignant pieces, a wax effigy of a dead baby prince which a Portuguese family left at a Canterbury coaching inn in the 17th century.

This display is part of an ambitious scheme towards a permanent History of Childhood exhibition, to include Early Years and Growing Up galleries, for which Bethnal Green is seeking national lottery funds. As it stands, the Birth and Infancy gallery is fascinating but

too small and unrepresentative to be anything but a taster. Descriptions are scanty. What is the point, for example, in showing Victorian pin cushions given to mothers after childbirth, without the explanation that during pregnancy women were advised to keep away from pins, which were held by folk custom until the 1920s to worsen the pains of labour? The lack of a catalogue is woeful. And the failure to exhibit

any item from the marvellous Renier collection of 80,000 children's books, acquired in 1970 and including a 1585 printing of Aesop's fables and some fabulous first editions of fairy tales, is a scandal.

In 1983, Sotheby's loan exhibition *Childhood* showed the immense richness of material in this country - paintings, clothes, objects, books - which could contribute to a comprehensive gallery. Manchester City

Art Gallery's 1992 *Innocence and Experience* show, taking the theme up to adolescence, widened possibilities. There is the potential here for a magnificent national museum of childhood which could transform our understanding of social history. Bethnal Green should think big and dynamic, and make it happen.

Bethnal Green Museum of Childhood, London E2, (0181 860 2415).

Gutsy Tina Turner still full of vim

It is a pity that Tina Turner is so famously old. It is impossible not to wonder at all the wrong things: the nimbleness with which she keeps up with her backing dancers at the frenzied climax to 'Froud Mary'; the enormity of the shortness of her dresses, which would challenge the confidence of a 17-year-old, let alone someone 40 years older; the energy she packs into a two-hour, non-stop steam roller of an entertainment which presents rock music at its best - spectacle with emotion.

On the surface everything remains perfectly in place - looks, vim, and that desire to please an audience which has always been her greatest attraction.

There was one tell-tale innovation: a sedentary, semi-acoustic set in which she sings soul classics such as 'You make me feel brand new'. But this was only a temporary hitch to the dirty dancing. And even when she is seated Ms Turner manages to put more life into her performance than a tip load of Tiller Girls.

Soon she is up and roaring through her amazing catalogue - songs like 'Steamy Windows', superficially sordid but transformed by the tremendous fun with which she celebrates her sexual middle age; the mesmeric 'Addicted to love'; and her anthem 'Simply the Best' to which the vast crowd - I have rarely seen Wembley Stadium fuller - was encouraged to sing along endlessly in a threnody of mutual esteem.

To be able to follow this up with the cheerfully debunking 'What's love got to do with it' explains why Tina Turner is constantly building up a global fan club - she now seems to be an important icon for gays. Inevitably she, too, always gets her man, goosing her hunk of a saxophone player and rubbing up against her guitarists.

The vastness of Wembley inevitably drains away some of her personality and there was a worrying sign that she might be succumbing to a bad attack of Shirley Bassey disease - a tendency to mangle her lyrics and to coast along on a provocative pout. And can we always be the greatest audience she has ever come across in her roller coaster of a career?

But everything ends happily. Tina Turner has the knack of sending herself up without compromising the music. Few artists would synchronise their act with flickering film of the same song - 'River deep, mountain high' - performed 30 years ago.

Her music perfectly matches her gutsy voice; her stage show is unstinting in its special effects; her musicians are top professionals. It is wonderful entertainment.

Antony Thornicroft

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITION
Stedelijk Museum Tel: 31-20-5732911
● A Hundred Photographs: exhibition showing a selection of works from the museum's photography collection by Man Ray, Robert Frank, Ed van der Elsken, Nan Goldin and Nobuyoshi Araki; to Aug 18

BERLIN

THEATRE
Theater am Kurfürstendamm Tel: 49-30-8813020
● *Schöne Famielie* by Chesnot. Performed by Brigitte Mira and Brigitta Grothum; 8pm; Jul 26, 27 (4pm)

COPENHAGEN

EXHIBITION
The Royal Cast Collection Tel: 45-33 91 21 28
● *Inspiration in Plaster. Antiquity and the Danish Golden Age*; in the heyday of the Danish Golden Age

(1820-1850), the art of painting played an active role in the shaping of bourgeois values and norms. The Royal Academy's collection of plaster casts of Greek and Roman nude statues was an important inspiration for Golden Age artists. This exhibition focuses on the peculiar circumstances that the quasi-religious idolisation of the naked human body by an ancient culture could influence people's attitudes; to Aug 11

LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● *Orchestra Révolutionnaire et Romantique*; with conductor John Eliot Gardiner, soprano Charlotte Margiono, mezzo-soprano Bernarda Montiel, tenor Michael Schade, bass Franz Hawlata and the Monteverdi Choir perform Beethoven's *Messias* and Gluck's *Die Fehrlin*, Op.112 and *Symphony No.9 in D minor*, Op.125; 7.30pm; Jul 23
Queen Elizabeth Hall Tel: 44-171-9210600
● Eduardo Falu; the guitarist/singer performs Argentinian and Andean songs; 7.45pm; Jul 23

DANCE

Royal Opera House - Covent Garden Tel: 44-171-2129234
● Swan Lake: a choreography by Petipa/Anvon to music by Tchaikovsky, performed by the Royal Ballet; 2.30pm & 7.30pm; Jul 23

EXHIBITION

British Museum Tel: 44-171-6361555
● *David Le Marchand (1674-1726)* - An Ingenious Man for Carving in Ivory; exhibition of works by this

French-born artist who settled in Edinburgh in 1696. Among the patrons who flocked to him for portrait busts and carvings were royalty, aristocrats, politicians and intellectuals; to Sep 15
Institute of Contemporary Arts - ICA Galleries Tel: 44-171-9303647
● *Gabriel Orozco*; the first solo exhibition in Britain by the Mexican sculptor. Orozco takes his cues from ordinary, often urban, settings and even more prosaic materials, such as a rubber inner tube, a lumpen ball of plasticine, a tin of cat food or the cap of a yoghurt container; from Jul 26 to Sep 22

LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6000
● *The White House Collection of American Crafts*; exhibition featuring works by 72 craft artists working in the media of glass, wood, clay, fiber and metals. Artists from all regions of the US are represented, including Nathan Youngblood, Bennett Bean, Adrian Saxe, David W. Levi, Dante Marioni, Dale Chihuly and Suzanne L. Amendolara; to Sep 29

MILAN

DANCE
Teatro alla Scala di Milano Tel: 39-2-72003744
● *Ballet National de Marseille*; perform the choreographies II Gattopardo and Coppélia by Petit; 8pm; from Jul 23 to Jul 27

MUNICH

OPERA

Nationaltheater Tel: 49-89-21851920
● *La Traviata*; by Verdi. Conducted by Jun Märkl and performed by the Bayerische Staatsoper. Soloists include Julia Varady, Silvia Fichtl, Francisco Araiza and Marita Knobel; 7pm; Jul 23, 26

NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● *Time-Warner Concerts in the Parks*: The New York Philharmonic with conductor Richard Wasterfield and Chanticleer perform works by Barizof, Fauré, Gabriel and Sarmet in Prospect Park, Brooklyn; 8pm; Jul 23

DANCE
New York State Theater Tel: 1-212-875-5570
● *Coppélia*: a choreography by Maguy Marin to music by Delibes, performed by the Lyon Opera Ballet. Part of the Lincoln Center Festival; 8pm; Jul 22 (7pm), 23, 24 (also 2pm)

EXHIBITION
Guggenheim Museum SoHo Tel: 1-212-429-3840
● *Mediascape*: the Guggenheim Museum SoHo responds to the public with this exhibition devoted to multimedia and interactive art. It features 14 works by 10 artists; to Sep 15
The Metropolitan Museum of Art Tel: 1-212-879-5500
● *Ancient Art from the Shumei Family Collection*: a selection of works from the Shumei Collection. The exhibition features Asian and ancient near eastern works of art and also includes Egyptian, Islamic and Roman objects; to

Sep 1

NICE

EXHIBITION
Musée Matisse Tel: 33-93 53 40 53
● *Matisse - Bonnard, Une Amitié*: exhibition to examine the friendship between Matisse and Bonnard from the 1920s to 1947. The exhibition includes paintings, drawings, photographs and letters written by the artists; to Oct 27

PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● *Dessins contemporains du Musée de Bâle*: this exhibition shows a collection of contemporary drawings, collected by Dieter Koepplin, the curator of the Kunstmuseum Basel; to Sep 30
● *James Coleman*: this exhibition shows installations of this Irish artist, and is a part of the cycle "L'Imaginaire Irlandais" that takes place in Paris from May until September; to Nov 18

SAN FRANCISCO

EXHIBITION
SFMOMA - Museum of Modern Art Tel: 1-415-357-4000
● *Alfred Stieglitz at Loka George*: this exhibition of about 100 works investigates the late work of the American photographer Alfred Stieglitz; to Sep 22

STUTTGART

OPERA
Staatstheater Stuttgart Tel:

49-711-20320
● *King Arthur*; by Purcell. Conducted by Alan Hacker and performed by the Oper Stuttgart; 7pm; Jul 24

WASHINGTON

EXHIBITION
Corcoran Gallery of Art Tel: 1-202-638-3211
● *Thomas Eakins and "The Swimming Picture"*: featuring Thomas Eakins' 1885 painting "Swimming" (formerly known as "The Swimming Hole"), this exhibition investigates the artist's creative process with preliminary paintings, drawings and photographs; to Sep 8
National Gallery of Art Tel: 1-202-7374215
● *Olmec Art of Ancient Mexico*: the show provides a panoramic overview of the artistic achievements of Mexico's oldest civilisation and explores their possible significance for Mexican culture. The 128 works on display include 17 Olmec monumental sculptures from Mexico's museums and archaeological parks, such as the spectacular 12-ton Colossal Head from San Lorenzo and the dynamic Wrestler from the Museo Nacional de Antropología, along with a group of Olmec objects in small scale from public and private collections around the world; to Oct 20

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
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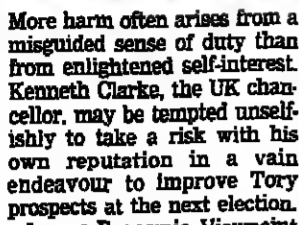
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Financial Times Business Tonight

Samuel Brittan

Risk of a cut too far

Another cut in UK interest rates would be a mistake, since the signs are that growth in the economy is accelerating



More harm often arises from a misguided sense of duty than from enlightened self-interest. Kenneth Clarke, the UK chancellor, may be tempted unselfishly to take a risk with his own reputation in a vain endeavour to improve Tory prospects at the next election.

In my *Economic Viewpoint* of July 18 I warned that interest rates might have to be cut, despite domestic indicators to the contrary, if there was an upsurge in sterling in the run-up to the election. What would be unforgivable would be to make a cut when there is no such upsurge.

There has been a sea-change since the last base rate reduction and a gathering mass of evidence that the slowdown is over and the economy is now taking off. Last Thursday the building societies reported the biggest rise in mortgage lending since the stamp duty holiday ended in August 1992. The broad measure of the money supply is still growing by 20 per cent a year, and the British Chambers of Commerce Survey shows not merely a high level of orders for the service sector but a modest uptick in manufacturers' orders, which have been the lagging sector in the present recovery.

In addition, a continuing unemployment drop has been accompanied by a sharp rise in vacancies - 21 per cent up on a year ago. As Michael Saunders of Salomon Brothers has pointed out, they are now at their highest since 1989 and well above their long-run average, and trends here have frequently signalled a tighter labour market. But perhaps the most persuasive piece of evidence was the purchasing managers' index which rose by three percentage points in June to a level indicating rising business activity for the first time this year.

These dry numbers are supported by plenty of direct experience. The other day I bumped into a British minister outside the circle of those who take part in interest rate decisions. He told me two

things. The first was that wherever he went in the country he found reports of rising business activity. A few weeks ago there had been some exceptional blackspots, but these had largely disappeared. The second thing he told me was that he thought there could well be one more quarter-point cut in UK base rates before the summer holidays.

I also had the opportunity to question some London accountants. They all reported not yet a runaway boom, but a rising level of activity and inquiries, in property as well as in the retail trade. But I doubt if Eddie George, the Bank of England governor, would share the pleasure with which they reported that margins were also rising for the first time in this cycle.

The practice of looking at a whole year at a time has blinded people to quite how bullish the Treasury's own summer forecast is. In fact the forecasts show an acceleration from an annualised growth rate of 2 per cent in the first half of this year to one of 3-4 per cent in the second half. For the first half of 1997 forecast growth is still within this range. It is surely fast enough to make a big dent in the capacity gap of "up to 3 per cent" which Alan Budd, the

Treasury's principal economic adviser, mentioned to a Commons committee last week.

At this point people often ask whether another quarter-point base rate cut would really make the difference between stable growth and a reappearance of inflation. Of course not. But this very question illustrates one of the snags of the new system of moving interest rates by the small amount of a quarter of a per cent at a time. Admittedly the process is partially depoliticised and it is easier to react more sensitively to economic events. The disadvantage is that, as a result of a series of small moves, a head of steam can build up to drive the economy in the wrong direction without anyone noticing until it is too late.

If there is to be a base rate cut after the July 30 meeting and the governor base rates will have fallen by 1 1/4 points from their 1995 peak. The initial reductions were highly welcome reactions to a slowdown in economic activity which took the Bank of England by surprise. When the last two small reductions were made in February and June, I thought that these might be justified provided the chancellor was prepared to raise interest

rates again if the balance of dangers changed.

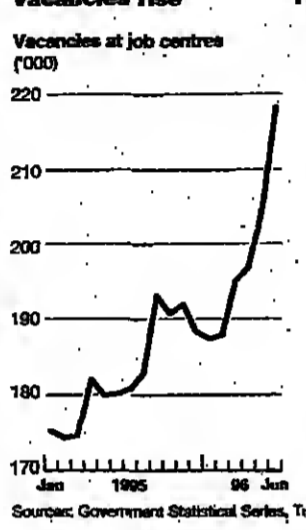
But after each further move, this reassurance becomes less convincing. For no chancellor likes to raise interest rates immediately before an election. Moreover, even if Mr Clarke is prepared to defy the conventional political wisdom, he still has to reckon with the prime minister who is liable to take much more interest in such decisions at a politically sensitive time.

And the lower interest rates go, the further they will have to be raised to reach a sustainable non-inflationary level. If the present underlying rate of inflation is subtracted from base rates, we get a real short-term interest rate of 3 per cent which is not outrageously high by any criteria, nor very different from that of competitor countries.

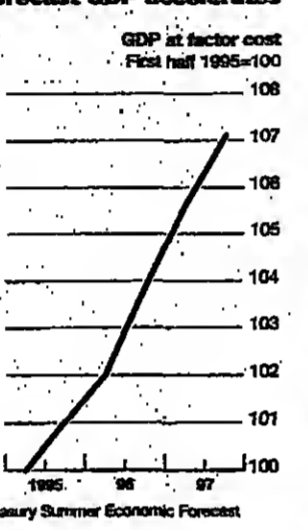
Taking everything together, the chancellor is probably right to believe that the trend of inflation is still downwards from its present underlying 2.8 per cent rate. The Bank is also right to suggest that policy changes affect inflation with a two-year lag (probably more). The way to take such lags into account is not through the tax leaves of a formal forecast but to look at output as well as prices.

A convenient combined measure of the two is given by nominal gross domestic product which is expected to rise in the present and coming financial years by 54-64 per cent, of which two percentage points is expected to be inflation and 3 1/2 points real growth. Sometimes this particular measure is misleading, for instance because of tax-induced increases in prices; and much more information would have to be published if there were a serious attempt to guide policy by nominal demand. Fortunately there are few such distortions at present and the nominal GDP projections give a picture of sustainable growth with modest inflation. Why then spoil the outlook with an unnecessary hostage in fortune?

Vacancies rise



Forecast GDP accelerates



Sources: Government Statistical Series, Treasury Summer Economic Forecast

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please see fax to "fax"). e-mail: letters.editor@ft.com. Translation may be available for letters written in the main international languages.

Unfair judgment on the US legal system

From Mr Kevin J. Christensen.
Sir, Re the article entitled "US death sentences 'racist'" (July 17), I must take exception to the recent report of the International Commission of Jurists where a handful of foreign jurists suggested, after brief visits to a few US states, that the administration of lawfully-issued death sentences in the US was somehow "arbitrary and racially discriminatory".

I think it is beyond dispute that the US criminal justice system, while not being perfect, affords more protection for individual rights than any other known system of judicial administration. If anything, conviction and subsequent execution for a

capital crime in the U.S. is not "arbitrary", but "infrequent" for any person, regardless of the colour of their skin.

While the alleged fact that 44 per cent of the US prison population is black may be an indication of substantial underlying social problems, the further alleged fact that because 40 per cent of the persons executed in the US between 1973 and 1995 were also black and that, therefore, in the US, the administration of the ultimate penalty must be arbitrary and racially discriminatory is quite simply a non sequitur. The only fact that this circumstance may suggest is that 40 per cent of the most violent criminal offenders in the US are, in fact, black.

Whatever the reason for this it is not helpful to suggest a racially motivated basis for the 40 per cent of black criminals who were sentenced to death and eventually executed. While the ICJ may be "respected", it does not appear from this report that they are particularly objective. Moreover, I would suggest this is an extremely complex issue. Given its obvious complexity, I would rather suggest that the deductive approaches evidently employed by the ICJ are not appropriate, or even particularly reasonable, presuppositions.

In any case, if, indeed, the US's administration of the death penalty is "arbitrary and racially discriminatory", as

alleged by the ICJ, given the fact that the US, as your article pointed out, "is regarded by many as the world's leading protector of basic individual rights and freedoms", then the rest of the world must be in dire straits indeed. Perhaps the ICJ would care to inspect heaven for alleged human rights abuses. It is rumored that hell may not be entirely politically correct in its administration of ultimate justice either.

Kevin J. Christensen, Aurbert & Pajares, attorneys at law, 3850 North Causeway Boulevard, Metairie, Louisiana 70003, US

BAA burden

From Mr Michael Toms.
Sir, Lex (July 17) argues that the current proposals for regulating BAA's airports are too lax because the Civil Aviation Authority's financial projections take no account of BAA's scope for improving productivity.

Wrong.

Just three examples: the CAA's projections assume that we can increase the number of passengers served by each employee by more than 4 per cent each year; they assume that we can build a fifth terminal at Heathrow at a cost 10 to 15 per cent lower than current projects, and they assume that we can sharply increase commercial revenues to offset loss of duty and tax free sales in the EU in 1999. At the same time they assume that we can spend more than £2bn on capital investment over the next five years, resulting in negative cashflow of £1.2bn. This is why we regard a price formula of RPI-X as anything but lenient.

Michael Toms, director corporate strategy, BAA, 130 Wilton Road, London SW1V 1LQ

A sporting chance for design of euro

From Mr John Edwards.
Sir, Jost Smiers has identified a profound problem for the launch of the EU single currency (Euro). The right values for the Euro, July 12 - the lack of any real debate as to what the design should be. Holding a competition among 30 designers, for a currency to serve 360m Europeans, shows little grasp of what a citizen's Union should be.

In the spirit of Mr Smiers' own suggested design of seven cardinal values for the seven denominations of banknote - may I add to the

debate with my own? Sport strikes me as one of the few areas of common European consciousness and one certain to get a decent measure of support. For instance, the Olympics, European Cup football, Wimbledon/Roland Garros tennis, the Tour de France, international rugby, golf's Ryder/Walker Cups and Formula 1 Grand Prix must have enough fans throughout the Union. Choosing sport would also solve the problem of pleasing 15 nations with only seven designs.

Better still, have children compete to draw the designs, as it is they who will be left holding the euros when the present European Monetary Institute is long gone.

If the European Commission can organise job interviews for 55,000 graduates simultaneously throughout the EU, a competition to design the single currency should not prove too problematic.

John Edwards, 11 rue le Tilleul, 1000 Brussels, Belgium

Huge liability of UK Private Finance Initiative

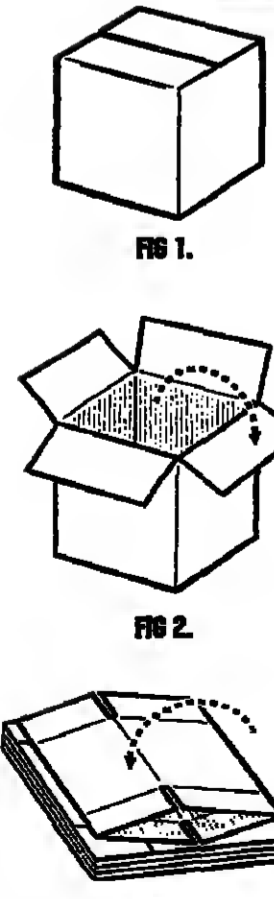
From Mr A.D. Deacon.
Sir, The capacity of the UK's Private Finance Initiative to generate the huge hidden fiscal liabilities referred to in Martin Wolf's critique ("A clever spending wheeze", July 16) is graphically illustrated in the Highways Agency's current business plan. This shows a 1996-97 provision for design, build, finance, operate (DBFO) road "shadow tolls" of £41m (nearly one-fifth of the agency's £224m current - as opposed to capital -

expenditure budget). On June 10, this figure was confirmed by the roads minister while answering a parliamentary question in which he also stated that the shadow toll bill is expected to more than double (to £97m) in 1997-98, and to triple (to £123m) in 1998-99. Ignoring any additional PFI road projects, or traffic volume-related increases in shadow toll payments, these figures imply a total spending commitment of £3.7bn over the 30-year life of the handful of

DBFO contracts in question. It is for this reason that PFI contracts require greater transparency and closer scrutiny now, rather than waiting for the National Audit Office (or House of Commons Public Accounts Committee) to report their value-for-money checks as advocated by the minister in June.

A.D. Deacon, Tumblehome, 18 Bourne Avenue, Salisbury, Wiltshire, UK

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Wise enough to play the Fool

An investor is chatting to friends in a pub about the prospects for a favourite share when the president of the company wanders over and agrees to answer any questions. Not very likely in the real world, but that is exactly what happened a few weeks ago in cyberspace.

On a Sunday evening at the end of June about a dozen computer users were discussing the soaring shares of Rainforest Café, a fast-growing theme restaurant, in an online "chat room". Mr Martin O'Dowd, the company's president, joined the discussion and he and several other Rainforest executives spent an hour responding to questions.

The chat room was part of The Motley Fool, an investment forum that has become the most popular site of America Online, the fastest-growing online service in the US. It is an example of how brothers Mr Tom Gardner and Mr David Gardner, founders of The Motley Fool, hope to give individual investors access to the sort of information and analysis that was once available only on Wall Street.

Tom and David, aged 28 and 30 respectively, started The Motley Fool as an investment newsletter - "Ye Olde Printed Fool" - in 1993. But after signing up only 38 subscribers, they started posting investment advice on America Online and it was then that the service provider approached them about developing a site.

The site offers nightly analysis of market activity, lessons about investing wisely and daily reports on the Gardner's own portfolio. However, the most popular parts of the service are the electronic bulletin boards and chat rooms where users can post messages about their favourite shares or join others to talk. (The site can also be found on the World Wide Web at <http://fool.web.aol.com> but the web site does not include the bulletin boards and chat rooms.) There is an incentive for the Gardner brothers to keep the site lively: the bulk of their

revenue comes from the 60 cents America Online pays them for each hour a user spends on the site.

The organisation's name comes from Touchstone, the brightly clothed, or motley, court jester in Shakespeare's *As You Like It*. His acerbic observations prove far more telling than those of his more serious counterparts at court.

In the world of The Motley Fool, smart investors act "foolishly" by following advice such as taking a risk on the volatile shares of a fast-growing company and steering clear of safe mutual funds that often charge high fees to investors. The Gardner's oppose the Wise, the designers of Wall Street, whom they see as facing conflicts of interest such as being more focussed on earning commissions through active trading of portfolios than on the best interests of clients.

"People who make their own decisions will often exceed the performance and enjoy more happiness and more security... by doing [their investing] themselves than by giving it over to someone else," says David Gardner.

The brothers liken Fool chat rooms to giant conversations around the company water-cooler that draw information from the 210,000 or so people who visit the site each month.

In the real world, says David Gardner, "the water-cooler talk is only on Wall Street where they take advantage of it and then slowly leak [the information] after they already have their holdings."

To prove they practise what they preach, the Gardner's invested \$50,000 of their own money in equities two years ago, and each night they report on the day's performance of The Motley Fool Portfolio. The holdings, which are now worth nearly \$127,392, range from

high-flying technology shares to old standards such as General Electric and Chevron.

One of the smaller companies in the portfolio is Iomega, a tiny maker of computer disk drives discovered in Fooldom long before any Wall Street analyst covered the shares. Several Fools became curious about the drives and one sent his parents to have a look at the company's plant in Roy, Utah. The Fool reported back that the car park had been full on a Sunday and on the basis of such observations the Gardner brothers bought Iomega last spring for the Fool portfolio at \$24 per share. The price soared to \$54 by late May while Fools who had invested in the shares developed a near-religious devotion to the company. They called themselves Iomegas and ridiculed anyone who dared to say anything negative about the shares - even when the price hit 103 times estimated 1996 earnings.

The rise of the Iomega share price helped raise the value of the Fool portfolio - which is about a third in the disk-drive maker - nearly 102 per cent during the first five months of this year. This was much more than the 9 per cent increase in the Standard & Poor's 500 index over the period and the 18 per cent rise in the Nasdaq composite.

But the Gardner's skill in dealing with a bear market is less certain. As the markets have wobbled in the past six weeks, the Fool portfolio has lost almost a third of its value compared with a loss of just 5 per cent on the S&P 500 and 12 per cent on the Nasdaq composite. And for all the money made on Iomega, much has been lost as the shares have fallen to less than \$23.

The growth of investment forums with online chat rooms such as Motley Fool has lately raised another concern: that

they are open to abuse by a new breed of cyberfraudsters out to manipulate share prices, particularly those of smaller companies such as Iomega. Postings on The Motley Fool and other online investment sites are generally anonymous, so there is no way to know whether or not someone posting negative news is really on to something or hopes to profit from a decline in the share price.

Mr O'Dowd of the Rainforest Café says one of his primary motivations for entering the chat room in June was to trouble some hype he had seen posted online, including claims that the shares would soon hit \$100. Regulators have already expressed concerns about the potential for abuse of online investment sites. "It is surprising how investors are seemingly willing to accept completely anonymous information as gospel," says Mr Steven Wallman, a member of the Securities and Exchange Commission, the US financial markets regulator. "I do think it is important that people realise that it is really the equivalent of reading junk mail. It is unlikely that someone would be willing to share with you their most valuable secret."

The watchdog is investigating "more than a few" cases of possible manipulation, he says. He declined to be specific but America Online confirms it has turned over records relating to an investigation of trading in Iomega shares to SEC investigators.

The Gardner's believe the interactivity of the medium will help prevent investors from getting burned by fraudsters. "If somebody comes on anonymously and intentionally posts false information... a whole bunch of other people will come in and say, I just read that message and that message is patently untrue," David says.

But they warn investors never to buy anything without conducting their own research. "Admittedly, we do have a get-rich-quick scheme," they say. "It's called homework."

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FINANCIAL TIMES

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Monday July 22 1996

The wrong target

What should have been a technical discussion over the design of the future European payments system has degenerated into an unnecessary battle for competitive advantage between the "ins" and the "outs" of monetary union.

reduce the risk that a hiccup in the payments systems might turn into a crisis for the financial system as a whole.
But Target's principal purpose is not to make life easier or safer for commercial banks; it is to provide a mechanism through which the future European central bank can transmit its monetary policy to the money markets.

Brand Olympics

Now that the Atlanta Olympics are at last under way, the focus of interest shifts to the athletes and away from the commercial hoopla that surrounds the games. That is as it should be. But the way in which companies seek to exploit such global events offers some useful lessons.

charmed circle of multinational companies and G7 economies.
Yet there are some offsetting reasons to welcome the role of the brands. The pursuit of profit ensures that the brandad goods companies are essentially inclusive rather than exclusive, perennially seeking to stamp more and more of the world's citizens with the outward signs of affluence.

A Tory chasm

Seen in isolation the impending resignation from the UK government of Mr David Heathcoat-Amory is of little moment. Viewed on a wider canvas it provides another illustration of the deep divisions within the Conservative party over Europe in general and a single currency in particular.

the same cause. The most strident of these Eurosceptics see a single currency as the first step to a United States of Europe. They would rather join in any and all circumstances.
The second believes that since a Conservative government is unlikely to include the UK in the first wave of Euro, Mr Major should make an electoral virtue of that reality by saying so in advance of the election.



The cost of the biggest New Year celebrations ever.

Unwilling guests at the party

Leading UK companies have come under intense pressure from the government to back the Millennium Exhibition, says Robert Peston

Mr Michael Heseltine wants to hold the biggest party ever in the UK to celebrate the dawn of the new millennium - and he wants business to help pay the bill.
The deputy prime minister is urging big companies to add £150m to £200m of money from the National Lottery to fund a year-long exhibition in London's Greenwich which he promises will be "the greatest single event ever staged in this country".

the exhibition is owned by British Gas and heavily polinated by many years of the production of town gas. The site is poorly served for access, with no roads or rail links - although an underground railway link from central London is scheduled to be completed before 2000.
The Birmingham NEC, jointly owned by the city council and the Chamber of Commerce, had much of the infrastructure and long experience of big exhibitions. "We had clear virgin land, good transport links, plenty of expertise and the best design team," says Mrs Theresa Stewart, leader of the council.

appalled by the financial mess he found. After almost a year to prepare his bid, Greenwich had only a fledgling design idea, with no detailed financial plans.
The difficulties were summarised in a report for the Millennium Commission by Lazarus, the merchant bank, in June. "It became clear in late April," the report says, "that the full exhibition... would not justify any commercial investment by the private sector and would leave a funding gap of £400m."

says the chairman of one of the UK's biggest financial businesses.
British Gas and British Airways also have strong commercial interests in the project succeeding. British Gas will find it much easier to sell the Greenwich site after the exhibition is dismantled in 2001, since the contaminated land will have been cleaned up. And British Airways will benefit if the exhibition is a success in drawing visitors from overseas to London.

At that meeting, Mr Heseltine asked those present for "an act of faith" and slapped down any criticism of the project. "When someone dared to ask who would underwrite risk of cost over-runs, he was brusquely slapped down by Hezza, says one executive who was there."
"Hezza said only that the private sector would not be asked for more money and that other details were not our business."

Not the Olympics

If the wait-to-see coverage of the Olympics leaves you cold, diversions are emerging - at least, if you are a high-achieving business. An international quiz, dispatched round the world by fax and Internet, has popped up to test the wit of the business elite.
First-class quizzes, as the game calls itself, consists of seven multiple-choice questions. Each has a choice of three, such as "Does it matter if the champagne flows?"

CSFB calling

CSFB First Boston has plunged one of the more troubled banks in the corporate finance industry in London by selling one of the hottest seats of the moment, head of credit and telecoms. It has gone shopping at Lehman Brothers, one of those institutions still struggling to achieve critical mass in the hedge fund stakes, and PricewaterhouseCoopers, the investment bank.
The move is a surprise, given that CSFB has been in the media and telecoms sector since 1988.

Up in the air

The world is so used to seeing investment bankers being hired away by a rival that it was hardly a surprise when ING Barings sued Deutsche Morgan Grenfell for poaching its key staff. Such developments are less common in other industries, which is why cypruses have been raised in eyebrows at the loss of several senior pilots from Garuda, the national airline, to Korean Airlines.
Soopandi, Garuda's chief executive, says it is not exactly an anomaly. Only eight pilots out of a total of 676 have actually resigned and they will not start with Korean Airlines till next year. But with nearly three quarters of Garuda's pilots having completed their 10 years of compulsory service after 1986, it's not surprising that some are tempted by the prospect of sharply higher earnings.

Birthing pangs

Poland has been hearing a lot lately from Grzegorz Kolodko, its volatile deputy premier and economic supremo, about the importance of their country's imminent membership of the OECD. Such trumpeting leaves some visitors cold. A group of bankers from Texas came to Warsaw recently to be told the wonderful news. Smiles all round until one Texan drawled: "Just exactly what is this here OECD?"
That said, joining the OECD has forced Poland to rummage through its legal codes and promise to eradicate anything which discriminates against foreign investors. One thing Warsaw came up with was a list of professions reserved for Polish citizens. Those thinking of becoming expats in Poland might care to note that among the people thus protected under Polish law are lawyers, maritime pilots, dentists, newspaper editors, museum guides, and train dispatchers, official translators, patent agents, construction experts and midwives - though not, for some reason, gynaecologists.

100 years ago

The Rhodesia Rising
The Acting High Commissioner at the Cape forwarded to the Colonial Office yesterday afternoon the following telegram: "Attacked Babylon's stronghold in Matopos Hills at dawn this morning, having started last night at 10.30 from Usher's camp on Umtaliwe. Shelled enemy out of Schermas, and followed him to stronghold in a mass of kopjes and caves at source of Tuli River. Fighting continued up to 2 o'clock. Curried position and burnt the kraals. Enemy stuck tenaciously to his caves. Enemy's loss estimated at 60; our loss three killed and eleven wounded."

50 years ago

Iranian Oil
That the labour troubles on the properties of the Anglo-Iranian Oil Company had been politically inspired was fairly obvious. A reading of the chairman's statement on the company's 1945 report leaves no shadow of doubt that this was the case. In fact, the company's own policy towards its workers has been progressive. These facts are known throughout Persia. Only wilful misstatement or deliberate incitement for political purposes can have been responsible for recent unrest in the company's fields.

Vertical text on the left margin: nts, atcheler, des sun, Fool, lead

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Monday July 22 1996

CAROLINA BUILDERS
WOLSELEY

Muscovites see personal touch in emerging flow of junk mail

Western advertising skills are making their mark in Russia, explains **Christia Freeland**

When millions of Muscovites received letters from their mayor last month urging them to vote for President Boris Yeltsin, many thought each missive had been personally signed and addressed. Their innocence in the face of a direct mail campaign is seen as a reason why Mr Yeltsin secured his remarkable election victory.

It is also an example of how sophisticated western advertising techniques are transforming the tastes of a nation which, for more than 70 years, was under the sway of bombastic communist propaganda.

Russia remains a country where telephone books can only be acquired on the black market and where thousands of factories continue to churn out goods they cannot sell just as they did in the days of central planning. But, increasingly, this Soviet complacency is being shaken up by companies which are learning to appeal directly to Russia's deprived consumers.

One of their newest weapons in this campaign is direct mail advertising, an approach which is particularly effective in a country so sheltered from advertisers' wiles that it has not yet invented a phrase for "junk mail".

As Ms Tatiana Bakalets, marketing director of Poster Publicity, the company which produced the personalised "vote Yeltsin" letters, explains: "A big plus for us is that in Russia people are so unaccustomed to this that when you get a letter addressed to you by your name and patronymic

you think it's written directly to you. The pensioners, in particular, thought that Luzhkov (the mayor of Moscow) had written each letter himself."

But Ms Bakalets also concedes that the fearful heritage of the communist past, together with the new suspicions bred by the sometimes savage capitalist present, can make advertising in Russia difficult.

"Just think of it - in a city as big as Moscow there is no telephone book, so we must create a database ourselves," she says. "But we have such a criminalised situation today that people are very, very unwilling to give out their home telephone numbers. And those people who have a lot of money, earned not necessarily honestly, are very unwilling to give out their addresses."

Work on this year's election campaign for Mr Yuri Luzhkov, the mayor of Moscow, helped to fill that gap by giving Poster Publicity access to the city's own extensive databases.

Thanks to that inside information, the firm now has the addresses of 7.2m adult Muscovites, and can divide them into sub-groups such as single mothers, pensioners or even the residents of "Khrushchev", the dilapidated five-storey apartment blocks built by Nikita Khrushchev in the 1960s to solve the national housing crisis.

Like most Russians involved in the financial side of the recent election campaign, Ms Bakalets is reluctant to give details about the pre-Yeltsin letters her firm

Максим 16 июня Вам писал, чтобы вы приняли участие в выборах. Вы еще не ответили. И я думаю, вы не ответите, а я знаю Москву и я знаю Россию.

Максим! Прочитав Ваше письмо я думаю, я так сделал. Пусть оно будет в Вашей копилке. Это письмо - единственное письмо для России. И это и будет победой.

Желаю Вам и Вашей семье всего доброго. Пусть все же мы будем жить в демократической и процветающей России.

Искренне Ваш,
Мэр Москвы Юрий Лужков.

Максим! The time has come for you to make your choice. I have made mine. I will vote for Yeltsin. That choice is the only right choice for Russia. I am deeply convinced of this.

I wish you and your family all the best. Let us all live in a prosperous and flourishing Russia.

Sincerely Yours,
Mayor of Moscow Yuri Luzhkov

sent out under Mr Luzhkov's signature. Just 100,000 were dispatched as part of the official campaign, but she says that in reality millions of the letters hit Muscovite mailboxes.

"It is all very complicated in Russia," Ms Bakalets explains in some distress. "Luzhkov only paid for a small portion himself, the rest was paid for by outside supporters. It is to do with the finance limits in our election law."

One of the most ambitious projects Ms Bakalets is planning for later in the year is a bold drive to alter the often neglectful habits of Russian husbands.

Thousands of Moscow's richest men will receive letters reminding them that "your beloved wife's birthday is in just two weeks. As a sign of your devo-

tion, why not buy her one of these gifts...

The suggested purchases will range from a day at a Moscow beauty spa, to jewellery and household appliances. But Muscovite husbands should beware: as Ms Bakalets sweetly explains, "we have a database which can select rich people, so what we suggest will be very expensive."

Ms Bakalets speaks anxiously of western advertising firms which can get access to specialised mailing lists at the press of a computer button. But she is hopeful that the 39 companies which do direct mail advertising in Moscow will soon catch up with their western counterparts.

And after all, Russia's fledgling advertisers are confident that if they can sell Yeltsin, they can sell anything.

How much does Britain's General Electric Company (GEC) stand to gain from the upcoming privatisation of Thomson, the French electronics group? That rather depends on which of the two French groups in the frame, Alcatel Alsthom or Lagardere, ends up buying it. Although GEC could probably forge a relationship with either, the prospects of clinching an attractive deal with Alcatel look better.

The best outcome would be a merger between Marconi, GEC's defence electronics group, and Thomson-CSF, the French group's defence arm. Given the large overlap between the two, such a combination would lead to big savings in research and development and marketing, manufacturing costs would also fall as a result of longer production runs. A merged Marconi/Thomson-CSF would be well-placed to compete with US defence giants such as Lockheed Martin. Alcatel, which has few defence interests of its own, would probably negotiate such a merger if it won Thomson. Indeed, doing so might be its main purpose in buying Thomson. If it could acquire the company at a price that reflected its prospects as a stand-alone entity but then plug it into a joint venture with greater opportunities, Alcatel would create value for its shareholders.

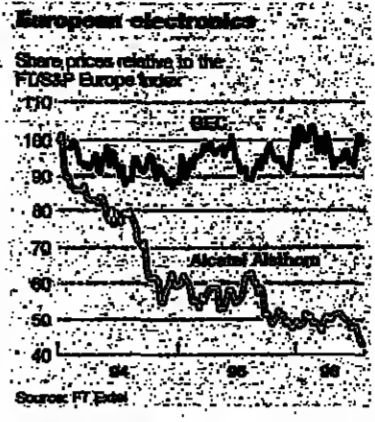
Lagardere's thinking, though, is rather different. Not only does it already have an extensive defence business, it is not big enough to buy Thomson on its own. Its plan seems to be to raise cash by selling minority stakes in Thomson-CSF to the likes of GEC, Daimler-Benz and British Aerospace. The idea would then be to form a series of joint ventures, covering specific products like missiles and communications.

From Lagardere's perspective, such a "cascado" shareholding structure would have the advantage of giving it considerable control from a small equity base. But, for GEC's shareholders, the benefits would not be as great. A series of mini joint ventures would not offer the same scope to rationalise R&D and marketing as a big merger. Nor would there be much appeal in handing over large dollops of cash to become a sleeping partner in Thomson-CSF.

Loosely linked to Thomson's future is that of Framatome, the French state-controlled nuclear equipment group. Alcatel, which owns 44 per cent of Framatome, would like to bring it within GEC-Alsthom, its power generation joint venture with GEC. There may be some industrial logic to the idea of bringing conventional and nuclear power generation under the same roof. But the suspicion is that

THE LEX COLUMN

GEC's Gallic games



Alcatel is also keen to use Framatome to raise cash to absorb Thomson's massive debts. Exactly how this would work is a mystery. But one possibility is that the French state would swap its Framatome stake for shares in a combined Framatome/GEC-Alsthom. Alcatel might simultaneously sell some of its shares.

Such a manoeuvre could, in turn, be a precursor to a full demerger of GEC-Alsthom - something GEC has long wanted. Alcatel could use the cash from selling its stake to shore up a balance sheet already weakened by provisions for restructuring its telecoms business. The appeal of doing so would be even greater if it assumed Thomson's debts. Cash-rich GEC, by contrast, could give its GEC-Alsthom shares to investors as it would have no need to sell them. At present, none of this is decided. The ball remains in the French government's court. But if attractive Thomson and Framatome deals can be cut, GEC shareholders will have good cause to celebrate.

Burma

Is it wise for a company like Total to invest in a country like Burma? One of its shareholders, a leading Danish pension fund which last week sold its stake, thinks not. And several other companies, including Heineken and Carlsberg, have already pulled out.

The moral arguments for leaving are not clear-cut. True, multinationals cannot altogether ignore the calls of the country's elected but powerless leader, Ms Aung San Sun Kyi, to stay away. Nonetheless, it is unclear what this would achieve. Heineken's half-completed project was sold to a Singaporean company, and the investment will still go ahead. The commercial case for leaving may seem more persuasive. Analysts think Total has so far invested less

than \$80m in Burma and, even when its planned gas project comes on stream, it is only likely to account for about 2 per cent of the company's reserves. While the outcry against the Burmese regime is strongest in Denmark - whose honorary consul died in jail after being arrested for possessing an illegal fax machine - it has spread to the US. A consumer boycott would not have to make much of a dent in Total's \$27bn sales to wipe out all the gains from the gas project.

Total, though, and other companies like it, will probably not view Burma in isolation. Though the Burmese regime is gruesome, it is not the only dodgy country in which it operates. Total will be reluctant to set a precedent that makes itself vulnerable to pressure to pull out of other similarly undemocratic countries.

Pharmacia & Upjohn

Pharmacia & Upjohn's market capitalisation has soared by 60 per cent since its formation last August. Now that Volvo, the pharmaceutical group's main shareholder, is unloading a \$2bn stake, other investors could be forgiven for asking whether the shares are still worth buying.

The market's enthusiasm so far has reflected the elegant merger structure, which avoided a huge goodwill write-off, and the promised cost savings of \$500m, that should boost earnings before integration charges by around 60 per cent this year and 25 per cent in 1997. Progress thereafter will depend on a flurry of new product launches - including Kalatan for glaucoma, a new incontinence treatment and drugs against cancer and AIDS. None are obvious blockbusters but the merger has given P&U the global infrastructure to squeeze value out of even modest products. That should help to improve the current pedestrian sales growth of 3-5 per cent.

The group's weakness lies in its fragmented portfolio. P&U is stretched across eight therapeutic categories with its top 10 drugs contributing just 33 per cent of sales against an average of 70 per cent for its top rivals. The obvious solution is to focus. To preserve the merger's tax advantages, significant disposals are not on the cards for two years. Thereafter, some rationalisation would be possible. P&U has not yet transformed itself into a high-growth company. But, over the medium term, it has the potential to do so. Moreover, given that the shares are trading at only 15 times 1997 earnings - roughly a 15 per cent discount to the US pharmaceuticals sector - there is still some upside potential.

Brussels faces pressure to clarify future of Ecu bonds

By Gillian Tett and Samer Iskander in London

Investors are pressing the European Commission to clarify the legal status of financial products denominated in Ecus, which have been hit by a loss of confidence ahead of the introduction of a single currency.

Financial institutions fear that the status of some Ecu bonds issued before 1992 is unclear due to changes to the basket of currencies on which the Ecu was based. They are worried about doubts over whether all products would be converted at the official rate of one Ecu to one Euro, the new European currency.

The Commission plans to meet banks and other financial institutions on Thursday to discuss a clear wording to restore confidence in the Ecu market, which has recently been unsettled.

Several multinational companies, private financial institutions and at least one government-backed institution have been scolded down their activities in Ecu because of the uncertainty. Mr Mark Fox, chief European strategist at the US investment bank Lehman Brothers, said the "vast majority of professional associations are pushing for legislation" and warned of the "threat of a tide of litigation after 1999", when the single currency is due to be introduced.

However Mr Steven Major, an Ecu bond specialist at Credit Lyonnais in Paris, argues that the problem only affects 10 per cent of the Ecu55bn (\$68.2bn) bond market.

Draft proposals presented to banks by the Commission last week were considered inadequate by some lawyers in London and Paris.

The problem centres on how the Ecu and its related bonds and other instruments will be treated when Euro starts in 1999. Last year, European heads of government announced that all products denominated in Ecu would be converted into Euros at a rate of one to one.

But although this wording covers most recent Ecu deals, lawyers question whether it covers some contracts before 1992. Older contracts had slightly different definitions of an Ecu. The Commission plans to produce a final legal framework by early September, and hopes to submit the proposals to a meeting of the economics and finance ministers of all 15 EU member states in Dublin in September.

Single currency timeframe
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Israel and Hizbollah to swap bodies

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In the past two years there has been repeated speculation about a possible deal brokered by Germany, including the return of Mr Ron Arad, the only missing Israeli serviceman thought to be still alive.

Mr Schmidbauer, the 57-year old minister of state in the German chancellor's office, who arranged the deal after talks with Hizbollah leaders in Damascus and Beirut, has extensive contacts in the Middle East and secured the backing of Syrian president Hafez al-Assad for the exchange.

He was first asked by the Israeli government in May to try and broker an exchange. In spite of repeated shuffling between Tehran, Jerusalem, Damascus and Beirut, his efforts there were not successful.

FT WEATHER GUIDE

Europe today
A large part of the continent will have sunny and warm conditions. The Benelux, Germany and northern France will have temperatures around 26C, but southern France, Italy and Portugal will be hotter. Spain will have temperatures rising to 40C. England will be rather sunny and warm but Ireland and Scotland will be overcast with some rain. During the late afternoon, thunderstorms will develop over Wales as well as northern and western England. There will be more thunder in Greece and the southern Balkans. The Alps will have isolated showers. Russia will have cool and unsettled conditions with widespread showers while Poland and the northern Balkans will stay dry with a mixture of cloud and sunshine.

Five-day forecast
Cool Atlantic air will move further eastwards, triggering showers and thunderstorms on the continent on Tuesday and Wednesday. Conditions will improve in Ireland and Scotland where there will be a mixture of cloud and sunshine. On Thursday, Portugal and north-western Spain will have thunderstorms but more pleasant temperatures will follow. Eastern Europe will remain unsettled and rather cool.

TODAY'S TEMPERATURES

| | | | | | | | | | | | | | | | |
|---------|-----------|--------|----|------------|--------|----|-----------|-------|----|--------------|--------|----|------------|--------|----|
| Maximum | Belfast | rain | 18 | Casablanca | sun | 28 | Gaborit | far | 27 | Manchester | thund | 23 | Rome | sun | 28 |
| Minimum | Colons | rain | 16 | Chicago | far | 27 | Glasgow | far | 19 | Madrid | sun | 30 | S. France | sun | 30 |
| | Abu Dhabi | sun | 41 | Berlin | sun | 23 | Hamburg | sun | 24 | Melbourne | show | 14 | Seoul | cloudy | 23 |
| | Accra | thund | 28 | Bernina | far | 28 | Helsinki | far | 19 | Mexico City | far | 21 | Singapore | cloudy | 23 |
| | Algiers | far | 33 | Bogota | cloudy | 18 | Dallas | sun | 31 | Miami | sun | 33 | Stockholm | far | 22 |
| | Amsterdam | sun | 26 | Bombay | rain | 30 | Doha | thund | 35 | Honolulu | sun | 31 | Strasbourg | sun | 26 |
| | Athens | sun | 30 | Brussels | sun | 27 | Dubai | sun | 42 | Istanbul | far | 27 | Sydney | sun | 17 |
| | Atlanta | cloudy | 34 | Budapest | far | 22 | Dublin | rain | 16 | Jakarta | far | 32 | Taipei | sun | 33 |
| | B. Aires | sun | 17 | Copenhagen | far | 22 | Dubrovnik | sun | 26 | Jersey | far | 27 | Tel Aviv | sun | 33 |
| | Bham | far | 25 | Caro | sun | 34 | Edinburgh | rain | 19 | Karachi | far | 35 | Tokyo | sun | 28 |
| | Bangkok | cloudy | 26 | Cairo Town | wind | 29 | Faro | sun | 29 | Kuala Lumpur | sun | 28 | Toronto | sun | 23 |
| | Barcelona | sun | 27 | Caracas | sun | 32 | Frankfurt | sun | 27 | Los Angeles | sun | 27 | Vancouver | far | 28 |
| | Beijing | far | 34 | Cardiff | thund | 24 | Geneva | far | 24 | Lu Pomaio | sun | 27 | Venice | far | 25 |
| | | | | | | | | | | Lima | cloudy | 16 | Vienna | far | 22 |
| | | | | | | | | | | Lisbon | sun | 30 | Warsaw | far | 23 |
| | | | | | | | | | | London | sun | 29 | Washington | far | 30 |
| | | | | | | | | | | Luxembourg | sun | 26 | Paris | sun | 31 |
| | | | | | | | | | | Lyon | sun | 32 | Paris | show | 15 |
| | | | | | | | | | | Madrid | sun | 25 | Prague | far | 23 |
| | | | | | | | | | | Madeira | sun | 26 | Rangoon | rain | 30 |
| | | | | | | | | | | Madrid | sun | 30 | Reykjavik | far | 14 |
| | | | | | | | | | | Managua | sun | 30 | Riyadh | far | 26 |
| | | | | | | | | | | Melba | sun | 29 | Sao Paulo | far | 22 |

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

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